

## NEWS SUMMARY

### GENERAL

#### Kidnap man dead — IRA

The Provisional IRA said they had "executed" RUC Constable William Turbitt, who was kidnapped on Saturday, but gave no information where the body was. Father Hugh Murphy, freed after being seized in retaliation for the policeman's abduction, said he was heartbroken at the news.

Mrs Margaret Thatcher, who is expected to work at improving relations between the Conservative Party and the Ulster Unionists while in Northern Ireland, was accused by Mr. John Pardo, Liberal economic spokesman, of making "the most despicable visit by a British politician since Chamberlain's last trip to Munich." She visited James Mackie, the Belfast textile engineer, one of the first companies put on the Government's blacklist for exceeding pay guidelines. Page 11

#### £1m gems haul

A six-man gang escaped with an estimated £250,000 worth of cut and uncut diamonds from a jeweller's shop in an arcade beside the Savoy Hotel, London. The raiders, who brandished a sawn-off shot gun and an axe, left trays of made-up jewellery after ransacking the safe.

#### Belgian pact

Belgium's five-day Government crisis ended when the four parties in the ruling coalition negotiated a compromise on cuts in public spending and moves toward regional autonomy. King Baudouin formally rejected Prime Minister Leo Tindemans' offer to resign. Page 2

#### Captain's claim

The master of the Amoco Cadiz told an inquiry in London that just before the vessel's steering gear failed he changed course towards the French coast to avoid a collision with another tanker heading towards him. Back Page

#### Threat to tennis

Wimbledon tennis broadcasting next week may be threatened if Post Office engineers refuse to lay power lines in support of a claim for a five-hour cut in the working week. TV technicians may support the engineers. News Analysis, Page 8

#### 524-day ordeal

An Italian film producer, who was kidnapped in Milan, chained to a bed and kept alive on cold tinned food for 524 days, was freed in Gela, Sicily, after his family was believed to have paid a £3.3m ransom.

#### Ali at Kremlin

Soviet President Leonid Brezhnev welcomed Muhammad Ali, the former world heavyweight champion to the Kremlin with a kiss on both cheeks.

#### Briefly

Hotel dishwasher from Italy was jailed for two years at Knightsbridge Crown Court for slashing a Pousen painting in the National Gallery, causing damage which halved its value.  
Princess Caroline of Monaco is to be given two Siberian tiger cubs as a wedding present from a West German circus owner.  
Sir Dingle Foot, the civil rights lawyer and former Labour Solicitor-General, died in Hong Kong. Obituary, Page 11  
Earth tremor shook Salonic, Greece. One person died of shock and several were injured.  
West German diplomat was wounded by gunfire in an East Berlin gun battle between police and an armed fugitive.  
Stamess twin girls, born in Oporto Portugal, nine days ago and joined at the stomach and thorax, have died.  
Libel action brought against Times Newspapers by Mr. Robert Maxwell, the former Labour MP, is to begin early next year and is expected to last six months.

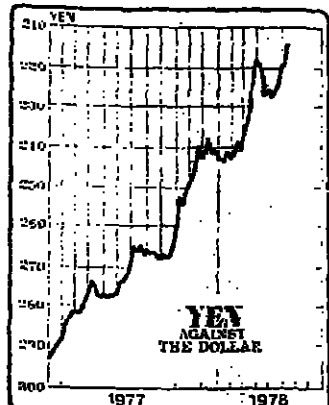
#### CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)		
ATV A	114	+4
HK Land	173	+8
Jardine Matheson	288	+10
Jardine & Godwin	141	+4
Leslie & Godwin	104	+3
Mathews (B.)	149	+10
Mitbry	113	+5
Norwest Holst	93	+5
Pilkington	149	+8
Swire Pacific	71	+5
Swire Prop.	36	+6
Wheeler Marden	316	+6
Highlands	165	+1
London Sumatra	126	+12
Burmara Tea	245	+20
Norwaga Tea	236	+8
Anglo-American	270	+6
Union Corp.		

### BUSINESS

#### Record high for Yen; Gilts dip

Yen reached a further post-war high against the dollar, and it closed at a record ¥213.40. STERLING closed 40 points



better at \$1.8350 and its trade weighted index remained unchanged at 61.3. The dollar came under pressure and its depreciation widened to 6.1 per cent (5.9).

● **EQUITY** leaders drifted on scattered selling, and the FT ordinary share index closed 3.6 down at 487.0.

● **GILTS** were still affected by the two large tap issues and losses were recorded at the longer end. The Government Securities index closed 0.50 to 69.91.

● **GOLD** closed \$1 up at \$185.1 in London and in New York the June Comex price closed 90 points up at \$186.00.

● **WALL STREET** closed up 1.65 at 338.62.

#### ● NATIONAL WESTMINSTER

Bank is to raise the charges of running accounts to personal customers, following a similar move by Lloyds Bank. Page 8

● **JAPAN'S** visible trade surplus in May was reduced by nearly \$1bn. The Finance Ministry has announced a reduction of the trade surplus, which Japan regards as its biggest international responsibility, may lead to emergency uranium imports and oil stock-piling. The Japanese Prime Minister has said. Back Page

● **UNIT TRUST** sales, though still buoyant, fell from the £70.3m recorded in April to £52.2m last month, bringing overall sales for the first five months to £244m (£141m). Page 6

● **LOCAL AUTHORITIES** have been allocated £100m by the Government for land acquisition over the next two years, in an attempt to stimulate the Community Land Scheme. Page 6

● **HEALTH SERVICE** employees showed their dissatisfaction over pay when the 211,000 strong Confederation of Health Service employees called for a minimum £80 a week wage. Page 8

● **NATIONAL GRAPHICAL ASSOCIATION** general secretary has emphasised the fierce opposition of some union leaders to any form of incomes policy after Phase Three expires. Page 8

● **COURTAULDS** auditors, Price Waterhouse, have said that the company's taxable profit for 1977-78 was overstated by £2m because of the group's failure to apply the relevant accounting standards in regard to regional development grants. Page 21

● **PETROV** Holdings pre-tax profit rose 13 per cent to a record £3.14m for the year ended March 31, on turnover 23 per cent ahead at £21.88m. Page 21

● **REDUCTION** in the amount of information companies have to give the Prices Commission is expected to be made by the Government when the present Price Code expires this summer. Back Page

## Average earnings accelerate as economy expands

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The rate of increase in average earnings accelerated in recent months, so the rise in pay during the current round to July may be slightly higher than recent more optimistic Government projections.

The increase is attributed partly to the upturn in the economy. "Nevertheless, pay increases are continuing at too high a level and continued moderation if British goods are to be competitive in world markets and if British workers are not to price themselves out of jobs."

Sir John will be part of a delegation of Confederation leaders seeing Mr. Denis Healey, the Chancellor, later today to discuss future pay policy.

The index may exaggerate the underlying rate of growth of pay because it covers mainly production industries and only part of the service sector.

Productivity agreements and rising overtime associated with the expansion of the economy have mostly affected production rather than service industries.

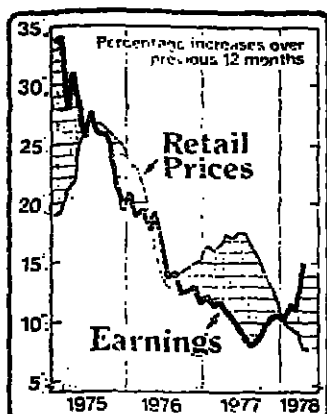
The Department of Employment also publishes a new index covering the whole economy but it has not been going long enough to be seasonally adjusted and so is not a reliable indicator of short-term trends.

However, the underlying rate of increase in this index does appear somewhat slower than for the other and narrower index.

This index rose by 9.4 per cent in the first nine months of the pay policy and officials are hopeful that the increase over the full year will be no more than their recent projection of 14 per cent.

There is considerable ambiguity here since officials have never made it clear whether the original 10 per cent guideline or their recent 14 per cent projection referred to the new or the old index.

Behind this statistical confusion, the firmest conclusion is that while the basic structure of the formal pay policy is more or less intact, there are clear



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## Further cut in pay rises rate urged

BY MICHAEL BLANDEN

A FURTHER cut in the rate of wage increases is needed to press home the success achieved in bringing down the rate of inflation, says the Bank of England in the latest issue of its quarterly Bulletin.

For the rest of this year, inflation could be kept at around 8 per cent on a year-to-year comparison.

The rise in prices next year could be well below 8 per cent, but only "if the rise in earnings also were below this 8 per cent figure."

The Bank's assessment implies that wage rises in the next round would therefore have to be kept at around 3 to 6 per cent to hold down inflation.

The Bulletin concentrates on the importance of inflation, echoing points made by Mr.

Gordon Richardson, the Governor of the Bank, in his Bernese speech last week.

Financial confidence needed to be maintained following the recent sharp swings associated with the changing mood in the markets.

Maintaining competitiveness of British industry should be achieved "not by further depreciation of the exchange rate, but by keeping cost increases very moderate."

A new acceleration in wage inflation was not impossible, but neither was it inevitable.

"There is need now for a very general and widespread understanding of the importance of reducing the rate of inflation further, and of what is required to do this, rather than allowing it to creep up again."

The progress already made had brought the UK inflation rate almost into line with the average among competitors.

"However, this is clearly only a relative success, and other countries are now likely to give renewed priority to containing inflation."

The increase in earnings this year was still quite large. "There seems need of much greater awareness that nothing like this year's increase can safely be repeated, and that a very marked and distinct fall in the rate of increase in wages is needed if the success of efforts so far is to be pressed home."

Efforts to keep down inflation, and maintain confidence should be supported by continued

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## Think Tank to probe new electronics

BY MAX WILKINSON

THE GOVERNMENT'S Think Tank—the Central Policy Review Staff—is to investigate the ways in which micro-electronics will change industry and society in the 1980s.

The investigation, to be carried out on the Prime Minister's direct orders, follows confirmation from the Government that the National Enterprise Board intends to spend £50m to set up a major semi-conductor company in the UK.

The Think Tank's study will run in parallel with that of a working party of the Advisory Council for Applied Research and Development under Sir James Menter.

Sir James's committee is looking at the social and other consequences of new technologies. The National Economic Development Office is also carrying out work on the subject.

The Government's sudden interest in micro-electronics stems from the realisation that a very large investment indeed will be necessary if the UK is to catch up with Japan and the U.S. in the production of standard semi-conductors, including computer memories and micro-computers.

Partly because of trade union pressure, the Government has also become aware that the new micro-electronics will promote a huge increase in industrial automation, possibly at the expense of jobs.

In the last 15 years the number of inter-connected transistors, which can be etched on to the surface of a single chip of silicon, has risen to 100,000. A complete computer can now be contained on a chip measuring less than an inch square, at low cost.

Micro-processors of this sort, which will take over many routine

repetitive tasks in offices and factories. They can be programmed to carry out most of the routines which at present require machine operators.

A statement from Downing Street yesterday said: "The Review Staff will be responsible for ensuring that all Government departments are aware of the nature of the problems."

The Enterprise Board's effort to break into the market for standard mass-produced circuits is likely to be rivalled by a joint venture between the General Electric Company and Fairchild, the U.S. semiconductor company.

Discussions between the two companies have reached an advanced stage, although no formal agreement has been reached.

In contrast, the Enterprise Board is not intending to link with a U.S. manufacturer, but rely on the expertise of a group of technologists, employed away from rival companies.

The Board's plan, have been made independently of a Department of Industry scheme to give aid of £50m to £80m to the companies already making semi-conductors in the U.K., including the multi-nationals.

The Government and companies such as GEC are anxious because as integrated circuits move towards the goal of 1m components per chip, the semi-conductor manufacturers may start selling complete electronic systems—from computers to telecommunications equipment.

However, Dr. Melvin Larkin, chairman of the U.S. company Motorola, semi-conductor subsidiary in the UK, warned yesterday that plans for new plants in Britain could be hindered by an acute shortage of middle and senior grade engineers in this increasingly will take over many routine

## MPs to see Healey

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, the Chancellor of the Exchequer, is likely to face critical questioning on the Government's proposal to increase the employers' National Insurance surcharge 2½ to 11 percentage points.

When he makes an almost unprecedented announcement this morning before an all-party committee of MPs.

The social services and employment sub-committee of the Commons Expenditure Committee has been undertaking an inquiry into the labour market and unemployment trends.

The sub-committee requested a meeting with Mr. Healey after a session last week attended by senior civil servants where the rise in the National Insurance surcharge was the main topic.

The hearing comes at a particularly sensitive time for the Government in view of the known Liberal desire to reduce the rise in the surcharge from 2½ to 11 percentage points.

Although other Cabinet Ministers appear frequently before Commons Select Committees, visits from the Chancellor of the Exchequer are very rare. Mr. Healey's appearance is seen as underlining the Government's determination to maintain the campaign for the National Insurance proposal.

The Chancellor is also likely to be questioned on the unemployment prospects since the figures for mid-June are due to be announced by the Department of Employment at noon today.

## OPEC experts to study depreciation of dollar

BY RICHARD JOHNS

GENEVA, June 19.

OIL PRODUCERS ended their conference here today inconclusively by referring the depreciation of the dollar to a "high level committee of experts."

Chairman Ali Khalifa al Sabah, Kuwait Minister of Oil.

Saudi Arabia resisted strong pressures from other members of the Organisation of Petroleum Exporting Countries to concede the principle that producers should receive immediate compensation in the second half of 1978 for the dollar's decline by putting up oil prices.

The decision to set up the committee was reached with surprising speed this morning after Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, had conferred with Crown Prince Fahd, Saudi Arabia's first deputy Prime Minister and chief decision maker, who arrived yesterday evening on his way to visit West Germany. He is believed to have refused to make any compromise.

Sheikh Yamani said other members had agreed to delay

action only after "painful argument." In the frankest statement yet on the subject by a Saudi leader he acknowledged the country's concern with preserving the value of foreign assets worth an estimated \$70-\$80bn, mostly in dollar financial instruments. "We have a heavy investment in the dollar. We do not want to do anything to harm it."

Explaining that consumers should be prepared for an oil shortage in the mid-1980s, he proposed a gradual price increase and predicted "a small dose of any" next January.

Sheikh Yamani took issue with Algeria and Libya although he did not name them who claim the market can support a significant rise now. He added that Saudi Arabia had received "strong indications" that those OPEC members selling light crude in competition with North Sea oil were giving discounts below official prices.

An OPEC communiqué announcing the establishment

of the new entity expressed "deep concern" about the fluctuation in international exchange rates.

It is understood that the committee of top economists from member states will meet in London on July 10 to start preparing recommendations for submission to the next ordinary conference in Abu Dhabi, scheduled for December 18.

Most members regard some rise in the basic price to be inevitable at that meeting. However, Sheikh Ali Khalifa OPEC President, is empowered to call an extraordinary conference earlier if he believes it necessary.

His committee will be concerned solely with currency fluctuation and does not intend to deal with erosion of producers' purchasing power through inflation.

At the lowest level, the new committee might be seen as a face-saving device for members who were openly committed to obtaining an increase now and a method of buying time for the moderates.

## Shipyards link for N. Sea orders

BY RAY DAFTER AND IAN HARGREAVES

BRITISH SHIPYARDS are to work together in constructing North Sea emergency support vessels in order to combat strong competition from the Japanese shipbuilding industry.

By combining their efforts UK yards hope to gain at least five contracts, worth a total of £250m to £300m, over the next few years. The semi-submersible vessels will be used by oil companies for a variety of jobs, including repair and maintenance, diving support operations, fire fighting and the provision of temporary offshore accommodation.

The state-owned British Shipbuilders group put forward its plan for speeding its delivery schedule at a meeting yesterday

with Dr. Dickson Mahon, Minister of State for Energy, and senior officials of the Department of Energy's Offshore Supplies Office.

British Shipbuilders plans to share any orders among a number of yards. Each yard would fabricate a part of the vessel which would then be assembled at a central point. It is thought that British Shipbuilders could adopt this centralised marketing and design approach for other major contracts.

One of the first UK vessels which might be built under the new British Shipbuilders system could be an order expected to be announced shortly by British Petroleum.

It is understood that two submersible drilling rigs to be built by British Shipbuilders are in the running for

the contract: Harland and Wolff in Belfast and British Shipbuilders' Scott Lithgow yard. If the latter is successful the vessel, which will be used in the Forties Field area, would be built by Scott Lithgow in conjunction with the nearby Govan yard.

Shell UK Exploration and Production, as operator for the Shell/Eso partnership, is also seeking a multi-purpose vessel for standby work in its Brent Field area.



## EUROPEAN NEWS

## Belgian crisis ends as Tindemans wins partners' agreement

BY OUR OWN CORRESPONDENT BRUSSELS, June 19.

BELGIUM'S five-day long public expenditure and impose Government crisis was formally patched up today as King Baudouin refused the resignation which the Prime Minister, Mr. Leo Tindemans, handed him last Thursday. The refusal came as no surprise after Mr. Tindemans' agreement with his coalition partners earlier in the day on a compromise package to end the political deadlock which began last week.

Negotiations to end the disagreement within the Government had continued over the weekend and for four hours this morning before a compromise solution came. After that the King's refusal was a formality. A confident-looking Mr. Tindemans, cracking jokes with reporters, said: "We have found a solution to our differences." He denied accusations that he knew his resignation would be refused and that it was all a put-up job to force his partners to make concessions. "That was a judgement of the newspapers," he said, adding: "The crisis was serious. After months of negotiations on our anti-crisis plan, there was no agreement."

It was the coalition Government's failure to agree on the so-called anti-crisis plan, which aimed to cut Belgium's heavy

## Lending by EIB is likely to top £1.3bn

By Guy de Jonquieres

LUXEMBOURG, June 19.

NEW LENDING by the European Investment Bank (EIB) is expected to total about 2bn European units of account (ua) (£1.3bn) this year. That would be roughly 25 per cent above the 1.6bn ua lent in 1977, which in turn was 23.5 per cent above the previous year's level.

This was forecast today by M. Yves Leporitz, the EIB chairman, at a news conference following the bank's annual meeting at which the Board of Governors formally approved a doubling of its subscribed capital to 7.1bn ua. The bank's paid-in capital will be raised to 911m ua over a four-year period starting on April 30, 1980.

The capital increase was decided in response to a demand by EEC heads of government at their European Council meeting in Copenhagen last April that EIB activities should be spread up to combat unemployment, weak investment and continuing divergences in national economic performance.

The EIB's outstanding loans and guarantees are limited by statute to 21 times its subscribed capital, or about 8.9bn ua before the new capital increase. At the end of last year, outstanding loans and guarantees had reached almost 7bn ua.

M. Leporitz declined to say how he expected lending activities to develop beyond the end of this year. But he said that the bulk of new lending this year and next would probably be to finance energy and infrastructure projects.

The EIB, which is headquartered in Luxembourg, is the Common Market's principal lending institution and was established by the Treaty of Rome. Its Board of Governors is composed of the Finance Ministers of the nine EEC member countries. Its last capital increase (75 per cent) was made in 1973.

Loans for projects within the EEC or of direct interest to its member countries accounted for 1.3bn ua last year, a 29 per cent increase over the 1.0bn ua lent in 1976. The rest, 1.6bn ua, went to investments outside the EEC, in Africa, the Caribbean, Portugal and the Pacific.

For the second year running, Britain accounted for the single biggest national share of EIB lending, 489m ua (£231m), or 35 per cent of all new loans made inside the EEC.

## European assembly split over China links

BY DAVID WHITE

A HIGHLY controversial motion urging European governments to strengthen links with China has divided delegates at the Western European Union's spring assembly which started in Paris today.

The WEU plenary session, attended by MPs from the UK and the six countries of the original Common Market, will discuss the motion tomorrow, overriding the objections of the French Socialists and Italian Communists.

A key part of the motion proposed by Sir Frederic Eynon, Conservative MP for Torbay, recommending a policy favourable to arms sales to China, was

deleted in order to gain passage through the WEU's general affairs committee.

The deletion, believed to have been made at the instance of the French and Italian Left, followed a formal protest by the Soviet Embassy to the Foreign Office in London. The Soviet protest, against "a demonstration of collective hostility to the Soviet Union which could cause irreparable damage to international security"—is understood to have been repeated in Bonn and Rome.

But Sir Frederic is proposing to reinstate a clause asking the WEU to "consider objectively, in accordance with already-declared British policy, any requests by

China to purchase defence equipment." This is in addition to proposals for closer links in trade and technology.

Replying to a question from Sir Oliver Sturt, Minister of State at the French Foreign Ministry, said that France envisaged co-operation with the Chinese "in all domains." Chinese missions have recently been holding preliminary discussions in both France and the U.K.

A memorandum presented by Sir Frederic says that Europe "should respond favourably to the growing opportunities to co-operate with China in increasing the latter's defence capacity,"

in order to reinforce "the overall deterrent against any Soviet military opportunism."

Quoting Metternich—"the enemies of my enemies are my friends"—the report echoes the views of the hot potato-dropped by Sir Oliver Sturt, Minister of State at the French Foreign Ministry, said that France envisaged co-operation with the Chinese "in all domains."

China's Ambassador in Paris, Mr. Wang, has been invited to be the first on the defence links held in the Mediterranean forum.

international terrorism and disarmament also have to be discussed in the next few days.

Proposals include, among others, the U.S. to lift its ban on arms sales to Turkey, the setting up of an international force against terrorists on the lines of Interpol.

Terrorism and Mediterranean security were the main concerns expressed by Sir Arnold Forster, Italian Foreign Minister, in a speech to the opening session today. He said that development in the Arab and African theatres could turn the Mediterranean into a theatre of conflict.

Technology plan, Page 2

## Paris taxes up in row about cost of police

By Our Own Correspondent

PARIS, June 19.

THE CITIZENS of Paris have become the main victims of a bitter row between their Mayor, the Gaullist leader, M. Jacques Chirac, and the Government over who should pay for the city's little-loved police force.

Following a decision by the City Council today, local taxes will go up by 17.5 per cent, instead of the planned 10.5 per cent, to make up for the heavy contribution to the cost of the police which the state is asking the city to pay.

The affair has taken on a political dimension because of the personality of the Mayor, President Giscard d'Estaing still appears to be smarting from the slap in the face which M. Chirac gave him when the latter ran for Mayor against the Government's official candidate last year, while M. Chirac is using his new office to snipe at the President.

Matters came to a head when M. Chirac persuaded the Gaullist-dominated City Council last month to make a cut of FF142m (about £7m) in the FF222m contribution demanded by the state towards running the Paris police. From a strictly legal point of view, the state is right, as even M. Chirac admits, but he argues that the law is applied only in the case of Paris.

The Government retaliated last week by ordering the sum which the City Council refused to authorise to be drawn directly from its treasury.

Renault, the French motor group, said today it is to lay off temporarily 9,000 of the 20,500 workers at its plant at Flins, west of Paris, because of strike action by heavy press operators.

## Spain offers tariff concessions

BY ROBERT GRAHAM

MADRID, June 19.

SPAIN is willing to make cuts in industrial tariffs before completing negotiations for entry into the European Community.

However, such concessions would be on the condition that the EEC in the meantime adopt a more sympathetic attitude to Spanish agricultural products. Spain's Minister in charge of EEC negotiations, Sr. Leopoldo Calvo-Sotelo, told the Financial Times on the eve of his visit to London.

On this issue, the points he will make to British Ministers when tomorrow he begins two days of talks in London. Since his appointment to the specially created post in February, this is the first time that Sr. Calvo-Sotelo has visited London. Two weeks ago he was in Paris.

Spain, anxious to display its European credentials, accepts that some of its industrial tariffs are too high. But Sr. Calvo-Sotelo insists that Spanish agricultural producers feel that they could be included in a more preferential arrangement.

This is especially so since the existing arrangements between North African agricultural producers and the EEC are more favourable than those between Spain and the EEC.

Spain and the EEC, he maintains, are in a transitionary stage.

Quietly but firmly, Sr. Calvo-Sotelo also emphasises Spain's concern over the general nature of EEC agricultural policy which favours "northern" producers at the expense of the Mediterranean countries.

After three months of contacts with EEC officials and preliminary soundings with Ministers of four member countries, Sr. Calvo-Sotelo believes that much value could be gained from a meeting of existing members plus the three new applicants—Greece, Portugal and Spain.

This could be either formal or informal. But he feels that a top-level meeting with all represented would help the negotiating process.

Our cards are on the table. This is an open negotiation, he says. Spain's position as not a member of the EEC is a disadvantage. The most significant global issue is Spain's status before membership and the nature and duration of transition to full membership.

As an applicant Sr. Calvo-Sotelo says, Spain's position as not strictly that of a third country.

## Portuguese State sector loss attacked

By Jimmy Burns

LISBON, June 19.

PORTUGAL'S nationalised sector lost 25 billion last year, and its losses could become much more serious unless the Government introduces a tough policy to cut its losses.

The warning was given by Dr. Silva Lopes, Governor of the Bank of Portugal, and the President of the Portuguese Economic Commission, at a weekend seminar organised by the Association of Portuguese Economists.

Dr. Lopes said that nationalised companies must become centres for generating investment, not consuming savings.

He criticised the rise in labour costs in nationalised industries.

Dr. Lopes also staunchly defended the tough monetary and credit restrictions introduced as a result of Portugal's negotiations with the International Monetary Fund.

These however were criticised by many economists at the seminar, the Association's concluding report noted that "the Government's monetary policies threaten to have a detrimental effect on the financial position of nationalised companies."

Defenders of Portugal's nationalised sector believe that the banks, although themselves nationalised, are increasingly using profitability as the dominant criterion for lending, unjustifiably neglecting social considerations such as the need to create jobs.

## Norway doubts on Volvo

BY REGINALD DALE, EUROPEAN EDITOR

STRONG RESERVATIONS over the Norwegian Government's car-for-oil deal with Sweden's Volvo company were expressed in London yesterday by Mr. Erling Norvik, chairman of the Norwegian Conservative Party. If he had to say yes or no to the deal in its present form, his answer would be no he told a news conference.

Conservative dissatisfaction is significant as the party is the largest non-Socialist group opposing Government in the Storting (Parliament). The Government will be looking for additional support from outside its own ranks when the Storting debates the deal in the autumn, after its full details have been finalised.

Mr. Norvik stressed that he was not against the deal regardless of its terms. He hoped that some kind of agreement would ultimately go through—but not necessarily on the basis of what was presently known about the arrangement.

So far, he said, it was only a skeleton agreement.

First, he could not understand how it made sense to manufacture cars or components in Norway, where production costs were higher than in Sweden.

Secondly, he could not see what Norway would get in return for the massive funds required to help Volvo develop the new model planned under the agreement. Figures of 3,000 to 5,000 new jobs had been mentioned, but there were no specific details so far.

Thirdly, he said, he did not know "how much or what" the Norwegian Government had promised with regard to oil licences.

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## Catalan police protest

BY DAVID GARDNER

BARCELONA, June 19.

POLICE OFFICIALS of the Cuatro General de Policia have been working to rule in Catalonia since Saturday, claiming that police reforms agreed at Friday's Cabinet meeting are inadequate.

They have been rigorously checking passengers' luggage and documentation at frontiers and ports. They have delayed aircraft and ferries, and caused queues of up to two miles on both sides of the French frontier, seriously affecting tourist traffic to the Costa Brava.

The police officials, who mainly carry out plainclothes work, said they would lift the work-to-rule from midnight tonight. But they would propose at a Madrid conference tomorrow that the action be relaunch nationally if the Islands.

Interior Minister refuses to meet their demands.

Thereafter they would be calling for the resignation of Sr. Martin Villa, the Interior Minister, and would consider the possibility of a national strike. The police are forbidden to strike by law.

They are looking for professional recognition for their job and its complete dissociation from the military. The Cuatro General de Policia is a civilian force but subject by area to military command.

The action of the Catalan force has received strong backing from other regions, in particular Madrid and the Canary Islands.

## OECD warns Yugoslavia over growth policy risks

BY ROBERT MAUTHNER

PARIS, June 19.

THE OECD secretariat today warned the Yugoslav Government that its high economic growth policy could cause substantial balance of payments and inflation problems unless it was modified.

Though the warning was couched in the traditionally diplomatic language in which the international organisation likes to wrap up its criticism, its message was unmistakable.

"It is clear that the Yugoslav economy cannot sustain a rate of expansion much faster than in other countries, especially in Western Europe, where the real rate of growth is lower," the message was unmistakable.

In 1977, the current account shortfall amounted to about \$1.8bn, some 4 per cent of the GNP. Though its financing did not raise any major problems, the OECD secretariat considers that some reduction is now desirable and that there must be greater subordination of the growth objective to balance of payments constraints.

Last year, the economy expanded by more than 7 per cent and the official target for 1978 is for another rise in GNP of 6.7 per cent.

The secretariat is of the opinion that the Yugoslav authorities should take measures to dampen private consumption which has an appreciable import content and which, contrary to the Yugoslav aim, grew as quickly as GNP in 1976 and 1977.

Under the reduced growth strategy, investment should be given priority over consumption, making it all the more important that investment be channelled to areas where the real rate of return is the highest.

With increased decentralisation of the decision-making process, the interest rate should be allowed to play an increasing role in the allocation of investment funds.

But the OECD secretariat emphasises that, even with a more moderate growth of demand and output, significant inflationary pressures are likely to arise. The cost of living last year rose about 14 per cent and a similar increase is expected in 1978.

## Belgrade congress opens

BY ANTHONY ROBINSON

BELGRADE, June 19.

THE SOVIET Politburo's decision to send one of its youngest members, the 60-year-old Mr. Prokhor Kulakov, to lead the Soviet party delegation to the 11th congress of the League of Communists of Yugoslavia (LCY), which opens tomorrow has been received with considerable satisfaction in Yugoslav party circles.

At the last congress, four years ago, the Soviet delegation was led by Mr. Andrei Kirilenko and up to the last moment there was uncertainty here as to whether he would come again. Mr. Kirilenko is tipped as a possible successor to the Soviet President, Mr. Leonid Brezhnev, although he is even older than the Russian leader. The decision to send Mr. Kulakov, who is currently in charge of agriculture and has not had a great deal of international experience, will give him direct experience of the Yugoslav party which has been the greatest ideological thorn in the side of the Soviet party since the break with the Cominform in 1948. It will also give the Yugoslav a chance to become better acquainted with a man who, because of his age, can be expected to be somewhere at the top of the Soviet hierarchy throughout the next decade.

This will also be the decade in which Yugoslavia will have to develop and defend its own system of socialist self-management without the charismatic leadership of the 86-year-old President Tito, whose opening speech today is awaited with great interest.

To judge by the news conference given yesterday by Mr. Aleksandar Grickovic, the power-holding secretary of the LCY executive in charge of relations with other Communist parties, President Tito will emphasise the theme of continuity.

The insistent hammering on the theme of continuity reveals the fact that what is really under discussion here is how to ensure that the essence of Titoism survives after Tito. In particular, it means how the LCY can maintain and strengthen its "leading role" within a one-party system, while at the same time increasing internal party democracy and meritocracy.

Between what is called "the plurality of self-management interests."

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## EUROPEAN NEWS

## Parties to begin talks on Leone's successor

BY DOMINICK J. COYLE

ROME, June 19. OVER 1,000 deputies, senators and regional government representatives meet in special joint session of the Italian Parliament in 10 days' time to elect a new President of the republic. Since Sig. Giovanni Leone's dramatic resignation last week the parties have not agreed on a candidate, but the position is expected to clarify soon.

Tomorrow Christian Democrat leaders meet. They will be looking for a candidate who can secure Communist Party backing. This will be followed by a long-arranged meeting of the leaders of the parties supporting Sig. Giulio Andreotti's minority Christian Democrat Government, including Sig. Enrico Berlinguer, the Communist leader, which offers an opportunity for a political deal.

Suspensions over the weekend that a tentative deal had already been done forced Sig. Berlinguer to issue a public denial, but the possibility of an agreement being reached privately before the first Presidential ballot on June 29 should not be ruled out. Without a deal a successful outcome of the first round would be almost impossible, for the inconclusive general election two years ago gave the Communists a virtual veto on the candidate.

Daly's unique Christian Democrat-Communist alliance will be on trial in the Presidential contest. Sig. Andreotti's Gov-proved showing in recent local



Christian Democrat Presidential candidates: Amintore Fanfani (left) and Benigno Zaccagnini.

erament needs Communist parliamentary backing to survive and, with the prevailing economic, social and public order difficulties, none of the major parties want an early general election. But Sig. Berlinguer's support for the Government—a policy not universally endorsed by rank-and-file Communists—can hardly continue if the Christian Demo-

The Turin court refused to consider its verdict yesterday in the trial of 46 alleged Red Brigades urban guerrillas, which has become one of the toughest tests of Italian jus-

crats fail to win Communist backing and instead try to put their candidate in office with the backing of the smaller parties in a simple majority vote.

The largest of these smaller factions is the increasingly independent Socialist Party. The party's new Secretary-General, Sig. Bettino Craxi, now controls

elections. Craxi's 88 deputies and senators, and his share of the regional representatives, could be decisive in the special parliamentary session.

As members of the governing majority, the Socialists could withdraw from the alliance, leave the Andreotti administration a more simple Catholic/Communist coalition than it

is. Reuter reports. The defendants said, in a statement they were allowed to read before the court, that the subversion charges against them were irrelevant.

Craxi's position—he wants no private deals, and is arguing for open agreement on a "lay" that is, non-Christian Democrat, can-

already is. Sig. Craxi is inclined to operate with a growing independence these days, keeping his distance from the Communists in the hope of winning back left-of-centre voters who crossed to the Communists in recent national elections and in 1976.

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مركز الأصل

## Bundesbank warning on dangers of reflation

By Adrian Dicks

BONN, June 19.

A FRESH warning of the limited scope available to the West German Government for fresh stimulatory measures came from the Bundesbank today.

In its monthly report for June, the West German central bank reproaches those abroad who are urging such measures on Bonn with failing to understand "how closely the limits of deficit spending are being pressed."

The Bundesbank's argument is similar to that made by Chancellor Helmut Schmidt in an interview with Business Week, and echoes his concern that any attempt to further increase public borrowing might force interest rates up.

This, in turn, could reverse the outflow of speculative funds from Germany which has been closely involved in running the stimulatory packages enacted last year, however, it also foresees increased demand for credit from the private sector, and in particular from the property and construction industries.

Defending the refusal of the Bonn government of foreign advice to take fresh steps to stimulate demand, the Bundesbank points out that "further public investment programmes would presumably be mainly concerned with additional construction projects."

"Yet the ability of the construction industry to cope with current demand appears to be largely taken up."

The Bundesbank concedes that there has been little difficulty in funding public deficits while interest rates have been low, but points to recent signs of a rise in longer term rates and warns that this should be borne in mind if any further expansion in the federal deficit is contemplated.

The bank attributes the low first quarter increase in gross national product of 1.3 per cent at an annual rate, to bad weather and industrial unrest, rather than to factors which would suggest a new stimulus was needed.

## OVERSEAS NEWS

INDONESIA'S AGEING REGIME

## Struggle for harmony

BY DAVID HOUSEGO, RECENTLY IN JAKARTA

THE DECLINING DAYS of a strength largely because of the drought in Java last year which left some close to starvation. The well publicised campaign under Admiral Sudono, the head of the security force Kopkamtib, to root out corruption also indicates an awareness of how sensitive public opinion is on this issue. The tactic towards the students and the Muslim groups is to try to isolate the "extremists" while re-educating the others through state run youth councils and Muslim organisations to their responsibilities to the nation—an exercise referred to as "regeneration."

As the protests grew in volume in the early months of the year, so the army became increasingly alarmed by the threat to internal security. This gave President Suharto a free hand. It was a mark of the seriousness with which he viewed the situation that he personally directed the subsequent arrests and the closure of papers.

The result, paradoxically, is that he is now as strong as at any time in his career—and certainly stronger than Sukarno who had to play off the army against the political factions. He has the army and the security apparatus fully in his grip and all the levers of Presidential power are at his disposal. The Press is on a "tight rein" and student activity battered down. The Muslim parties have been stripped of the key posts they held in the cabinet and in the Assembly. Dissidents like Mr. W. S. Rendra, the playwright, have been removed to jail. Those in the military who are unhappy with the turn of events feel powerless to do anything.

The danger in taking so much power is that the onus is now on President Suharto to produce results. He is doing many of the things for which his critics have amassed by his family. It also found an echo among the army commanders many of whom have children at university whom they expect to run the country one day. A further important novelty was the number of retired senior officers, like General A. H. Nasution, a former Minister of Defence, and General Dharsono, who came to the fore to support the students' complaints.

The situation was at the same time taken up by the militant Muslim parties who did surpriseingly well in the 1977 general election. They have gained in

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## Holland decides against ordering Nimrods

BY CHARLES BATCHELOR

HOLLAND has dropped the British Nimrod from its shortlist of possible replacements for its obsolescent fleet of marine reconnaissance Neptunes. The Defence Ministry is continuing studies of the French Breguet Atlantique and the U.S. Orion, with the French aircraft apparently the stronger contender.

British Aerospace's Nimrod was dropped on the grounds of purchase and operating costs, a

Defence Ministry spokesman said. The Nimrods were expected to cost around £173m (£83m) each compared with £140m for the Orion and £164m for the Atlantique.

British Aerospace called a Press conference in the Hague last month to deny figures published earlier by the Defence Ministry showing Nimrod would cost £188m, but the British aircraft was still more expensive than either of the other two.

The Cabinet now expects

to decide finally on the Neptune's successor some time this year though it is unlikely a decision will be taken in the next few weeks as was earlier hoped. According to some political sources, it was thought wiser to postpone a decision on such a major programme at a time when spending cuts were being considered and following the increase defence spending in line with Nato targets.

The Defence Ministry is still

weighing the merits of the two remaining aircraft but a large body of Dutch industry which might gain compensation orders is in favour of the Atlantique.

The French have asked the VFW to make an offer to deliver 12 F-27 aircraft for use by the French navy as trainers and has also expressed an interest in the Dutch aircraft maker Fokker's F-28 jet passenger liner. The prospects for these orders are improved if Holland orders the Atlantique.

AMSTERDAM, June 19.

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## OVERSEAS NEWS



## 30,000 Ethiopians poised in Eritrea

By James Buxton

GUERRILLAS fighting for the independence of Eritrea are coming under increasing pressure from the Ethiopian armed forces in the north. The guerrillas have been coming under heavy attacks in some of their strongholds and at one point the other main group, the Eritrean Liberation Front (ELF), said it had had to evacuate the strategic town of Mendefera, though it was re-occupied. The Eritreans have also come under pressure at Barentu in the west, the third remaining Ethiopian stronghold in the main part of Eritrea.

Ethiopia is reported to have four army brigades waiting across the border to the south in Tigre province for a possible offensive in Eritrea, according to the Tigre People's Liberation Front (TPLF), which co-operates with the two main groups in Eritrea, there are now 30,000 Ethiopian troops in Tigre, and a new air force base is being built at Mendefera. But the guerrillas have been coming under heavy attacks in some of their strongholds and at one point the other main group, the Eritrean Liberation Front (ELF), said it had had to evacuate the strategic town of Mendefera, though it was re-occupied. The Eritreans have also come under pressure at Barentu in the west, the third remaining Ethiopian stronghold in the main part of Eritrea.

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## Dayan says Israel West Bank plan permanent one

BY DAVID LENNON

ISRAEL'S OFFER of limited self defence for the Palestinians of the West Bank and the Gaza Strip is not a temporary arrangement but is the solution for the Arabs and Jews living together, Mr. Moshe Dayan, the Foreign Minister, said today in explanation of the hard-line Cabinet decision yesterday on the future of the occupied territories.

He dashed American hopes that the autonomy plan was only an interim arrangement by stressing that even after 5 years of self rule, Israel would not be prepared to take any decisions about the sovereignty or permanent status of the West Bank and Gaza.

All that Israel would be prepared to decide five years after implementing self rule would be the nature of the relations between Israel, the Palestinians living under occupation and Jordan.

He said that the autonomy, as it is, will be liked by the people, and the question of sovereignty will not be brought up. Mr. Dayan told a Press conference in Jerusalem today.

If they so desire, then they will bring up, but we want to base our attitudes on the assumption that the autonomy is not transitional, but that this is the solution for the Arabs and Jews living together on the West Bank and in the Gaza Strip," the Foreign Minister said.

However, yesterday's Cabinet decision was rejected by West Bank notables and newspapers today. The East Jerusalem Press described it as "word play". Mr. Bassam Shaaka, the mayor of Jerusalem, said that the decision was a "word play".

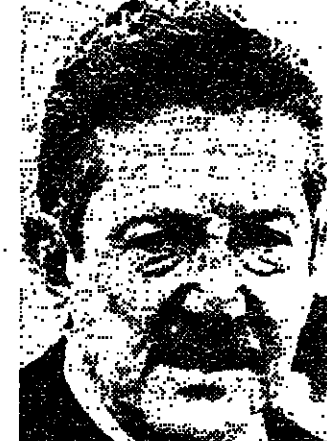
Mr. Dayan was due to deliver an official Government statement to the Knesset this afternoon. The Knesset is expected to approve the Cabinet decision after a stormy debate.

Mr. Ezer Weizman, the Defence Minister, who voted against the Cabinet decision, was expected to absent himself from the debate.

Mr. Weizman has denied that he intends to resign from the Government because of his disagreement with the Cabinet decision. His aides have said he knows that from now on the Minister who won such popularity with Egypt's President Sadat will concentrate on military affairs, and will refrain from participating in the diplomatic negotiations.

Mr. Weizman is reported as having told his Cabinet colleagues after yesterday's vote that he will need a larger budget for the Defence Ministry as a result of the Government decision.

Editorial comment, page 18.



MR. EZER WEIZMAN

No intention of resigning

Nabius, said that it will not bring peace any closer.

The Mayor of Tel-Aviv, Mr. Haimi Hanoun, said that it ignores the Palestinians living outside the occupied territories.

The Israeli decision shows that it wants to hold on to the land and to settle vast numbers of Jews there, he said.

## Indian growth in 1977-78 better than expected

BY K. K. SHARMA

NEW DELHI, June 19.

THE INDIAN economy performed better in 1977-78 than was expected, Mr. M. Patel, the Finance Minister, presented his budget in February. The Government now says that the gross national product (GNP) increased by slightly over 6 per cent in 1977-78 and is far more than the 11m tonnes produced in 1977-78.

The higher estimate is the result of the record foodgrain production of 125.5m tonnes during the year. This surpassed the previous peak of 121m tonnes in 1975-76 and is far more than the 11m tonnes produced in 1977-78.

But industrial production in 1977-78 increased by a meagre 4 per cent compared to the impressive 10.4 per cent in the previous year, and thus a major drag on overall growth. The main reason for the slow

down in industrial production is the poor performance of such sectors as steel, cement and power generation. This has been aggravated by all-round labour unrest.

The Government is to announce a package of measures within 10 days to stimulate industrial production. This must increase significantly if the economy is to maintain its high growth rate and government economists are hoping for a rise in industrial production by 7 to 8 per cent this year.

If this is not achieved, growth during the year will be non-existent. The Ministry of Agriculture says that even if there is an average 10 per cent increase in production this year, production will be around the same level as last year since there has been an increase in the area under irrigation and farmers are using more inputs. If the monsoon turns out to be good, production could be as high as 130m tonnes.

The hope that industrial production will be better is based on figures on investment now available which show that there was an increase of 20 per cent in loans by term-lending financial institutions last year. The demand constraints that have caused recessionary conditions in the economy for the past few years now seem to be lifting. This is indicated by sudden shortages that have arisen of steel and cement, items which had to be exported for the last three years because of lack of demand. This also suggests there has been a spurt in construction activity.

month support package that will bring in goods including \$37.5m of food and medicine and \$24m of fuel to help resurrect Shaba. In addition, the International Monetary Fund (IMF) is expected to send a team soon to discuss a major stabilisation plan with Zairean officials, centred on the so-called "Mobutu Plan" for economic revival.

Belgium, the former colonial ruler of Zaire, wanted a joint initiative by all five powers. But France, supported by other members of the group, wanted separate meetings that would allow each ambassador to put the case for reform in the light of his own government's policy, the sources said.

Western diplomats said they feared the initiative, which was initially to have been kept secret, might draw an angry response from President Mobutu. The Zairean leader has said publicly he will not accept any concessions to the rebels, and to his economically weak and politically uncertain nation.

Despite the five-nation initiative Zaire can still count on a multi-million dollar emergency aid package drawn up in Brussels last week.

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## Brunei talks open in London

TALKS OPENED at the Foreign Office yesterday with the Sultan of Brunei on the British Government's decision to wind up its responsibilities for the defence and foreign affairs of the wealthy oil state, writes David Housgo.

The measure is opposed by the Sultan who is anxious to retain the battalion of Gurkhas under British officers which he sees as an important safeguard against instability.

The Sultan, together with his father, Sir Omar Ali Saifuddin, who is also the most influential politician in the state, arrived in London on Friday.

Britain hopes that the talks will make substantial progress towards granting Brunei full independence. This is a goal strongly supported by Brunei's neighbours, Malaysia and Indonesia, which have recently tried to reassure the Sultan that they will not allow their countries to be used as bases for guerrilla operations against his country.

Mr. Dayan was due to deliver an official Government statement to the Knesset this afternoon. The Knesset is expected to approve the Cabinet decision after a stormy debate.

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Mr. Weizman has denied that he intends to resign from the Government because of his disagreement with the Cabinet decision. His aides have said he knows that from now on the Minister who won such popularity with Egypt's President Sadat will concentrate on military affairs, and will refrain from participating in the diplomatic negotiations.

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## Strong showing by left in Peruvian assembly poll

BY HUGH O'SHAUGHNESSY

THE LEFT showed unexpected strength in yesterday's elections to select the 100-man constituent assembly which is to prepare Peru for a return from military to civilian government in 1980.

The Popular Christian Party, a right-of-centre grouping led by the middle class and headed by Sr. Luis Bedoya, a former Mayor of Lima, was topping the poll this morning with 33 per cent of the votes after half the country's polling stations had reported their results.

In second place came APRA, the populist party of the 1920s, led by Sr. Victor Raul Haya de la Torre, with 29 per cent. But the Popular Front of Workers, Peasants and Students (FOCEP), a radical Marxist-Leninist group critical of what it sees as Soviet revisionism, was in third place with 11 per cent of the poll. In some parts of the slums of Lima, it registered substantial victories over all the other parties.

The leaders of FOCEP include Sr. Hugo Blanco, a former peasant leader and head of a guerrilla group which operated in the south of the country. Last month he was deported to Argentina.

The Revolutionary Socialist Party (RSP), whose leader, General Leonidas Rodriguez, was arrested yesterday and is reported to have been deported to Argentina, was taking 7 per cent of the vote, while the Communist Party had 5 per cent.

The left-wing group together with APRA, a third of the look like gaining a third of the seats in the constituent assembly, or about half as many again as they were expected to win.

The strength shown by the left will undoubtedly make the Government's impending negotiations with the International Monetary Fund (IMF) for a stand-by credit more difficult. Next month the military government of General Francisco Morales Bermudez will start negotiations on a new agreement with the fund aimed at relieving the country's acute foreign exchange crisis. The Central Reserve Bank's foreign exchange position has slipped to minus \$1,500m.

Drastic cuts in government expenditure will be demanded by the fund, and the left, and by political figures of the centre, who point to the fact that last year's vote fell to only 74 per cent of the level of 1974.

Meanwhile the Government of General Morales Bermudez is about the future of these left-wing candidates to the constituent assembly who have been deported or who are in hiding inside the country, pending orders for their arrest or deportation.

If they are allowed to take their seats, the Morales Government will suffer less of a setback, but if they are not allowed to take their seats, criticism of the Government's attitude to the constituent assembly will become more strident.

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## Carter's foreign aid Bill threatened by more cuts

BY OUR OWN CORRESPONDENT WASHINGTON, June 19.

THE CARTER Administration announced that it intended to try to cut the Bill by nearly another \$800m.

The Administration has already slashed \$1,500m from the original \$2,300m Bill, and with some success, to preserve as much as possible of the Bill, but the prevailing view of congressional observers after the Californian vote is that it may be too late to prevent further deep cuts.

Mr. John Gilligan, head of the Agency for International Development, told this morning's briefing that Proposition 13 (the tax-cutting initiative) had become a part of American folklore and was not being applied to a spending across the board. "I don't think it can be justified," he said.

In the event Mr. Long's amendment might even turn out to be the least severe proposal. One Republican Congressman is going to demand even deeper cuts across the board percentage cuts.

At the same time there is a move to be a number of amendments intended to prevent the U.S. representatives at the international institutions from voting in favour of assistance to assorted countries. If they infringe other human rights or other ideological standards.

Mr. Bergsten said again today that such amendments might well be a threat to the U.S. position as a world leader.

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## WORLD TRADE NEWS

## China may get Japan technology

BY CHARLES SMITH

NEGOTIATIONS between China and Japan on the supply of a colour television tube plant have been complicated by Chinese insistence that the plant should form part of a package which would also include an integrated circuit plant. The problem created by this is that integrated circuit plants are included in the Cocom list of strategically sensitive items which are not normally exportable to Communist countries.

China appears to be taking the line that it will not buy a TV tube plant from Japan unless an IC plant is supplied as well. It is believed to be demanding a highly sophisticated plant, not a medium-level plant of lesser strategic sensitivity. The Chinese have been in negotiation with two Japanese companies as suppliers of one or both of the plants—Hitachi (which had a team of executives in Peking last week) and Toshiba. Matsushita Electric, earlier regarded as a potential supplier of the TV tube plant, has apparently dropped out of the running.

Rumours that the Japanese Government had "tipped off" either Hitachi or Toshiba that Cocom approval for an IC plant export would be forthcoming were denied here by the companies concerned. It is felt that China must first nominate the company with which it plans to

place a contract, after which approval will be sought for the delivery of the plant. China is understood to be pressing the potential suppliers hard on pricing terms, possibly using the prospect of additional heavy electrical contracts as a lever. Hitachi and Toshiba are

JAPANESE MANUFACTURERS of pillow block-mounted unit bearings used widely in agricultural equipment, given the Common Market Commission an undertaking that they will raise prices by between 10 and 15 per cent, writes Kenneth Gooding.

As a result, allegations of dumping brought against the Japanese by the European Commission have been dropped.

believed to be interested in the chance of supplying heavy generating equipment for the projected Chinese steel complex near Shanghai. With this in view, the two companies are said to be negotiating "flexibly" on the tube and IC plants. Matsushita, originally a competitor for the tube plant, is not a manufacturer of heavy electrical generators and therefore may have lacked one of the motives possessed by

Hitachi and Toshiba for reacting "flexibly" to Chinese demands for a tube plant.

The potential value of the tube plant is estimated by one of the companies concerned at "rather less" than ¥200m (a downwarding from the earlier estimate of around ¥300m). The integrated

plant, capable of manufacturing 1m bulbs a year, will start operations in the second half of 1985.

The French Petroleum Institute will train Chinese technicians under a scientific and technical cooperation agreement signed with its Chinese counterpart, AP-DJ reports from Paris.

The accord was signed in Peking during a visit by M. Jean Pierre Capron, director of carburants at the French Industry Ministry.

M. Capron went in China to prepare a French exhibition on oil, gas and petrochemical techniques to be held from November 29 to December 8. About 60 French companies will be present at the exhibition, with special emphasis on offshore exploration.

TOKYO, June 19.

year. China does not recognise Cocom and has thus habitually refused to place a conditional contract with an external supplier, pending approval by Cocom. This appears to be one of the problems involved in current negotiations over the integrated circuit plant.

Meanwhile, Reuters reports that Asahi Glass says it will sign a contract in Peking this month to export a colour television bulb glass plant worth about ¥130m to China.

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## UK groups join in the bidding for Hijaz line

By Rami G. Khouri

AMMAN, June 19. BRITISH consulting companies are included in three of the eight consortia of companies that have been chosen by a tripartite Jordanian-Syrian-Saudi Arabian committee to present bids on conducting a feasibility study to reconstruct the entire Hijaz railway line.

The eight short-listed consortia were picked this week from a group of 21 and now have until September 23 to submit their offers for the giant project. It would involve rebuilding the entire 1,300 kilometre of the historic railway in standard gauge track instead of the existing narrow gauge track.

The British companies are Transmark, Rendel Palmer and Triton with Mott Hay and Anderson in one group; the Economic Intelligence Unit with Soteci of Italy in another; and Freeman Fox, International, Henderson Hughes and Busby, with Prices of Pakistan, in the third.

The tripartite committee will meet in Riyadh in the second half of October to select the companies for the feasibility study. They will sign the contract before the end of this year and will be expected to produce their final study within 13 months, according to Jordanian Transport Ministry undersecretary Hashem Taber, who adds that "all sides are now serious" about going ahead with the project.

The reconstruction of the Hijaz railway line is a project of great importance to the Arab world. The line, which runs from Damascus to Jeddah, is one of the main arteries of the region. It is in a state of disrepair and needs to be modernized to meet the growing demand for transport.

## Brazil-Taiwan rocket deal

By Diana Smith

RIO DE JANEIRO, June 19. BRAZIL is to sell its nationally developed Sonda Three rocket to Taiwan.

In return, Taiwan will supply advanced electronic knowledge that will fill a gap in Brazil's space technology, that of missile tracking.

Brazil's space rocket developments, which began with the rudimentary Sonda One and last year, led to the more sophisticated Sondas Two and Three, have not pleased the U.S. in particular.

When successful testing of Sonda Two and Three were announced in 1977, the U.S. and France cut off supplies of the special synthetic rubber polybutadiene, which in its hydroxylated and carbonated form, is the basis of Sonda fuels.

Brazil has skirted the resistance of countries like the U.S., France and the UK to its space programme by drawing on West German technology, and now, at the Aesit Steel Works, produces its own special steel plates for rockets.

## TEXTILES

## India goes back to using the handloom

BY RHYD DAVID, TEXTILES CORRESPONDENT

IN A MOVE which at first sight might appear to step backwards industrially, India has decided that no future expansion of weaving in the country's textiles mills or through the use of power looms will be permitted, but that instead additional cloth production, to meet home and export market requirements, will have to come from handlooms.

It is a decision which reflects on the one hand the Indian Government's desire to take advantage of the employment opportunities, particularly in cottage industry, which cottage industry can offer, but it has a commercial logic as well.

Against a background of depression for several years in textiles worldwide, the Indian handloom sector has been buoyant. While in the 1960s the markets for handloom products were other parts of the Far East and Africa, today, as a result of strong fashion demand, 80 per cent of India's handloom exports are going to Europe, the U.S. and other developed countries.

The restriction on the growth of mills will help to stem the drift from the villages to the towns but it will also help to avoid competition for yarn and other raw materials needed for an anticipated increase in output from handlooms to around 3.8m metres a year over the next five years, from the present 2.3m metres.

The encouragement which the Indians are now giving to this sector is also recognition that to hold one's place in world textile markets against strong competition from other low cost countries, it is essential to have a distinctive product.

Handloom products, of which India is by far the biggest manufacturer, are also free in some countries, from quota restrictions—an important advantage at a time when developed countries, through the recent Multi Fibre Arrangement, have increased substantially the restrictions on low cost imports.

The move remains, however, only part of a wider strategy which India seems likely to adopt in a bid to increase its share of world markets, currently still very low, but excessively concentrated in a small number of product areas. At a recent conference in London, Mr. K. Sreenivasan, chairman of the National Textile Corporation of India, pointed out that India's share of world trade in textiles increased between 1973 and 1976 only from 0.64 per cent to 1.67

per cent, with the EEC the biggest buyer, taking about 60 per cent of total exports, followed by North America with 25 per cent.

India's low share is accounted for partly by the limitations imposed by quotas in the developed markets but there are also other problems, including the very large Indian domestic market which has to be satisfied first. India's textile industry, too, an overwhelmingly cotton-based exporter and has not therefore been able to share in expanding world trade in synthetic fabrics.

A further difficulty faced by India over recent years has been a shortfall in its cotton crop, forcing it to import cotton and viscose, (including large quantities from Britain) to keep its mills running even for home demand.

Thus, although exports have increased they remain relatively small in total. In the mill sector, they rose from £210m in 1974 to £307m in the first 11 months of 1977 (compared with UK textile and clothing exports last year of £250m). Most of the increase has come in the apparel sector, up from £56m to £132m, with yarn exports affected by the need to supply domestic mills and the spread of quotas and generally depressed world conditions.

In the handloom sector, a threefold increase took place between 1972-73 and 1975-76 in garment exports, from £25m to £75m, with fibres for the period since also likely to show a further very substantial rise.

As well as devoting more resources to the handloom sector, however, India is likely, Mr. Sreenivasan suggested, to try to add value to its mill exports, enabling it to earn more within the quota limitations imposed on it. This is likely to mean exportation of finished fabrics as against greys, state cloth, and a move into a finer range of fabrics.

The need to increase the sophistication of handloom products is also seen, in particular the sector with finishing equipment which will make it possible to offer garments with easy-care properties.

Moves such as these, if carried through, could help India increase its total textile and clothing exports to around £800m by 1980, thereby providing a welcome addition to the country's overseas earnings. They also indicate the continuing challenge which the textile industry in developed countries faces.

## Yugoslavia gets \$18m credit line

THE Export Credits Guarantee Department has guaranteed the repayment and funding for a \$18.4m loan which Barclays Bank International has made available to Prva Iskra of Baric, Belgrade, Yugoslavia.

The loan will help to finance a contract awarded by Prva Iskra to Ingeco Laing for the design, engineering, supply of components and commissioning of a linear alkyl benzene plant to be installed in an existing plant at Baric.

This is the first contract to be won by Ingeco Laing, the specialist engineering contractor combining the resources of the Swiss-Italian contracting group Altech and the UK based John Laing Group.

The speed with which Ingeco Laing was able to set up the financial package was a key factor in winning the contract.

The new plant, which is due to be commissioned in autumn 1980 will have the capacity for an output of 50,000 tonnes of linear alkyl benzene a year for use in the production of detergents.

## French-Swiss contract

Cit-Alcatel, the telecommunications subsidiary of the French Cgele of Electricite (CGE) electrical group, says it has received an order from the Swiss Post Office to supply equipment, notably laser diodes, for an experimental optic fibre telecommunications network.

The optic fibre is to be manufactured by a Swiss company. When completed, the link will be able to carry 8 megabits and will be set up in the Bernese region. Cit-Alcatel says it is the first export order it has received for such equipment.

## New aluminium plant

Brazil's state mining company Cia. Vale do Rio Doce (CVRD) will formally set up the aluminium producing company Albras SA in Rio de Janeiro today with its Japanese partners in the project, Nippon Amazon Aluminium.

Albras, in which CVRD will hold a 51 per cent share and NALCO the rest, is expected to produce 40,000 tonnes of primary aluminium near to Belem, Para State, in its first year, rising to 320,000 tonnes a year later. Total investment in Albras is estimated at more than \$855m.

## Ford-India negotiation

Ford Motor Company says it has been selected by the Indian Government to negotiate a contract for a domestic television and communications satellite. Company officials say specific contract language has not been approved by either side, and decline to indicate the size of the potential contract.

## Signs that West German inflation is declining

BY GUY HAWTIN

FRANKFURT, June 19.

WEST GERMAN import prices remained stable between March and April this year, but were a full 7.6 per cent below price level a year earlier. The figures give a clear indication of the importance of declining import prices in slowing the West German rate of inflation.

The statistics, produced by the Federal Statistical Office and published by the Economics Ministry, show the index for import prices (1970=100) standing at 146.8 during both months. The two months percentage decline, compared with a year earlier, was even steeper than the 6.4 per cent fall reported for February-March.

German industry is expected to increase investment outlays by a real 5 per cent this year, according to the results of the latest IFO institute survey of companies' investment plans. This follows stagnation in investment spending in real terms in 1977, but all the same does not mark a strong revival of expenditure, reports Reuter from Munich.

This year's investments partly represent spending on projects which were delayed in 1977 because of pessimistic sales expectations, the IFO said.

Most companies' spending plans are centred on rationalisation rather than capacity expansion, the IFO said, pointing out that companies can hardly be expected to make significant capacity extensions over the rest of the year when existing plant is only about 80 per cent utilised.

Technological innovation and new production methods are proving an increasingly important impulse for investment, it said.

Increased spending will be concentrated on the capital goods industry and in some consumer sectors, with the upturn in the building industry also encouraging more expenditure in related areas, it said.

## Trend towards Europe in Latin America car sales

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE Latin American car market should grow at an average of 5 per cent a year, according to a new study by Euroeconomica, the Paris-based research institute.

In a 240-page analysis of the region, one of the most rapidly growing vehicle production areas in the last decade, Euroeconomica concludes that the stock of private cars, estimated at 11m in 1975, should double by 1985.

The commercial vehicle stock, reckoned to be about 4m units at present, should go up in a similar fashion to cars.

The report argues that European-type cars will gradually increase their popularity in the area at the expense of American designs, mainly because of the demands for economy.

Volkswagen, it says, will retain its market leadership in the area with about 35 per cent of sales, followed by Ford on 15 per cent.

Fiat should expand to about 10 per cent of the market within the next seven years, while the

chances of Renault and Peugeot/Citroen achieving a similar improvement depends on their ability to rationalise their resources in the area.

General Motors and Chrysler at present have 11 per cent and 9.5 per cent respectively in the area, in which the three leading countries—Argentina, Brazil and Mexico—provide over three-quarters of the total, and four-fifths of the passenger car stock.

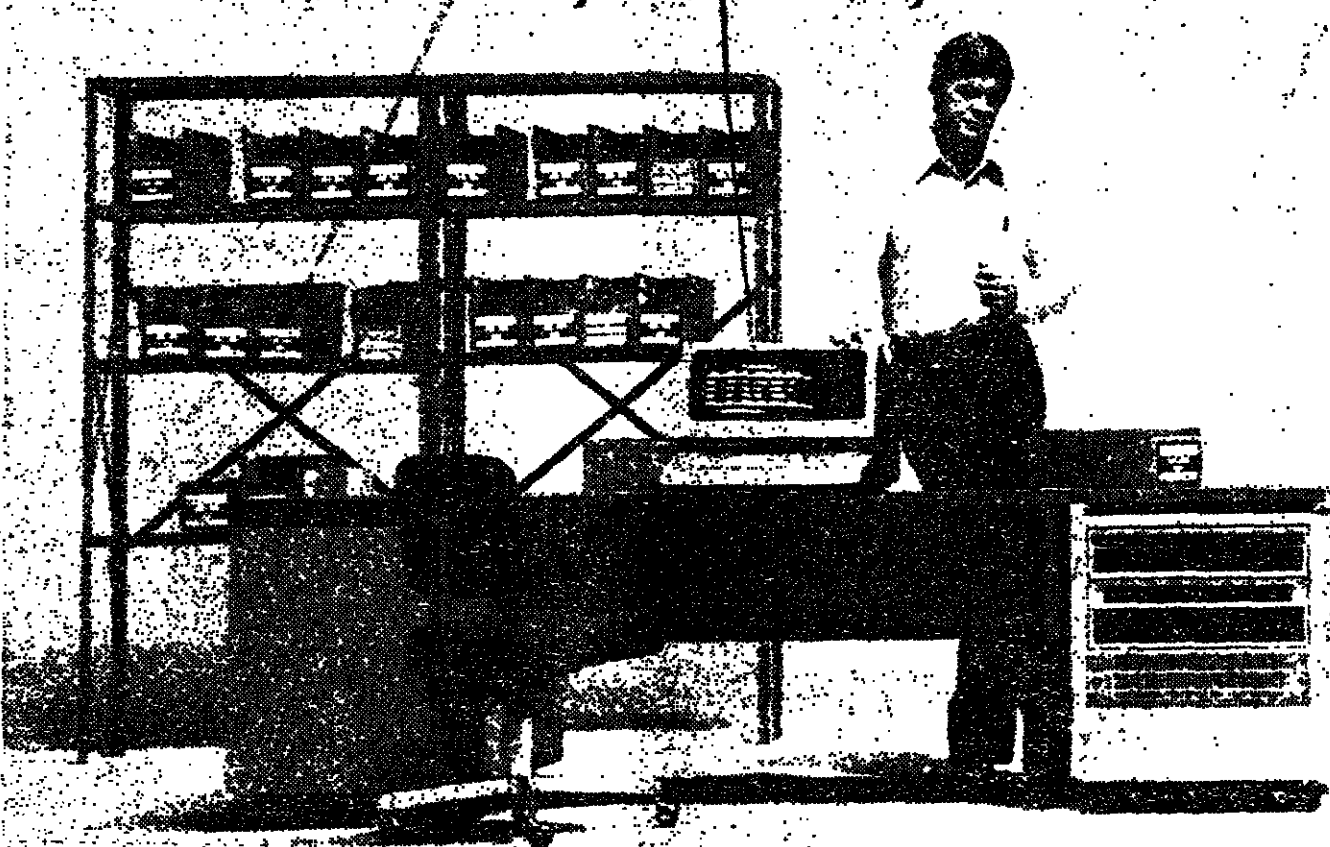
The Japanese manufacturers are not expected to improve their position substantially.

The Latin American Automobile Industry: Prospects to 1985. Euroeconomica, 9 Avenue Hoche, Paris. Frs 3,000.

## Dexion Qatar order

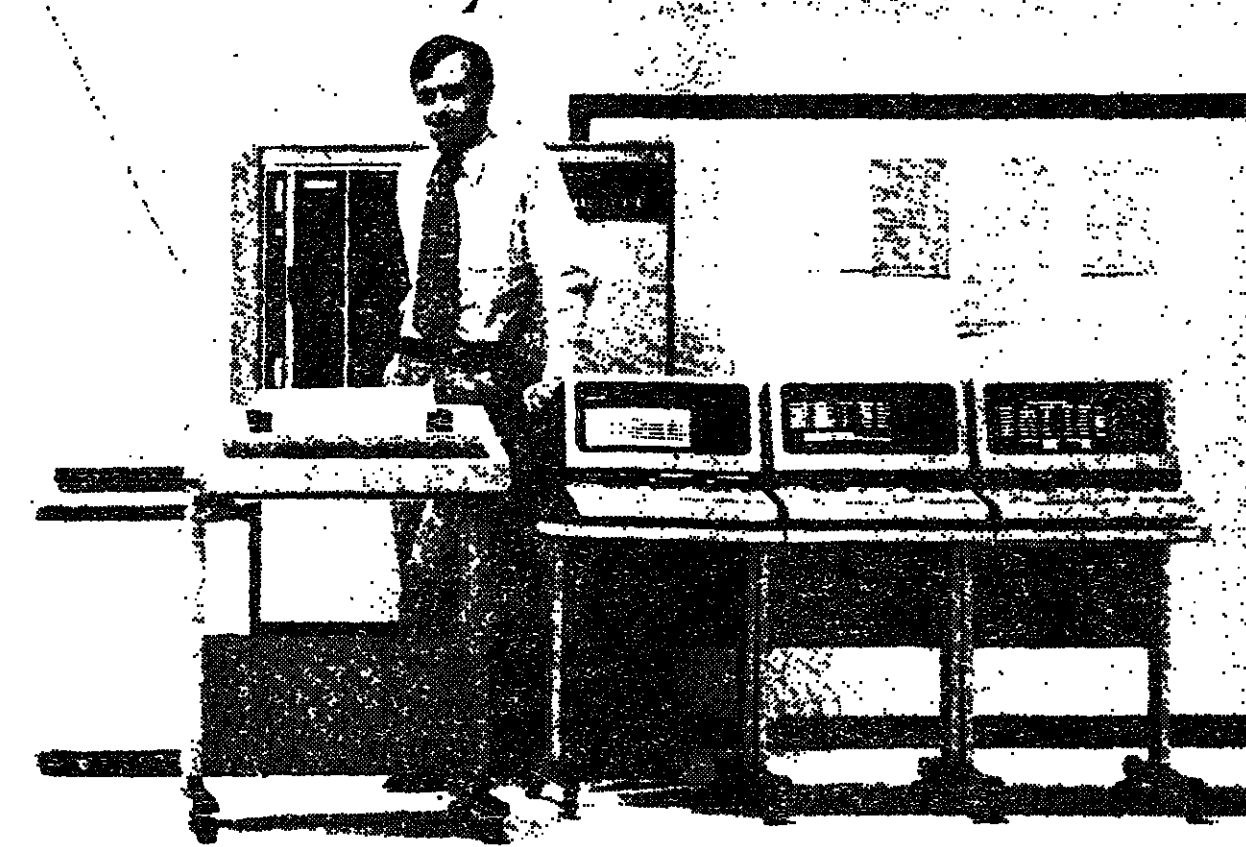
Dexion has won a £1m order from the Qatar Government for the total equipping of four warehouses in the Doha area including Dexion speedlock pallet racking. Imper two-tier small parts storage; Simplan offices, office furniture; air-conditioning units; and forklift trucks.

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FT20/8



HOME NEWS

# Councils given £100m help for land buying

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE Government yesterday launched a major initiative to stimulate the struggling community land scheme. It has allocated £100m. to be used by local authorities for land acquisition over the next two years—between two and three times the resources available in the first two years of the scheme—and has also announced changes to speed the rate at which land is made available for development.

Authorities will no longer have to seek departmental approval for individual deals and will keep a larger share of any surplus arising from land dealings.

The building industry has been severely critical of the scheme, which comprises the Community Land Act and Development Land

Tax, claiming that local authorities are ill-equipped for their new role and that the supply of land has been drying up because of penal tax rates faced by landowners who sell.

Mr. Reg Fresson, Minister for Housing and Construction, said yesterday that the Government was not, however, anticipating any land shortages.

"We are simply asking the local authorities to make up the ground lost in the economic blizzard through which we have passed," he said.

He said that the authorities now had a vital role to play in ensuring that enough land was made available for development.

He admitted that the high rate of development land tax—temporarily at 60% but to rise to

80 per cent in April—was likely to discourage some landowners from selling. Authorities would have to "fill the gap."

Mr. Fresson continued: "Local authorities will need to have an entrepreneurial approach to land dealings on behalf of the community and maintain a close and continuing dialogue with builders and developers."

"It is new and uncharted territory for many local authorities but they have a big opportunity to plan the future shape of our towns and cities."

Mr. Fresson said that house builders would, under the scheme, be able to carry lighter land banks and purchase from local authorities when they required it.

The system would stabilise the

market and help moderate fluctuations in house prices. The Government, he said, was looking to the local authorities for "a new start."

The scheme was launched in April 1976. In its first year of operation, nearly 1,600 acres of development land were acquired in England, but this figure dropped sharply to less than 800 acres in the next year.

The rate of disposal to builders and developers was also very low, with only 100 acres being sold in the second year.

Mr. Fresson, who said the scheme had got off to "a sound start," blamed low demand for building land, high interest rates and cuts in public expenditure. The way was now clear, however, for "vigorous progress."

## Brent C oil platform in place

By Ray Dafter, Energy Correspondent

SHELL and Esso are preparing to boost production from their Brent oil and gas field in the North Sea, the biggest commercial reservoir in the UK sector.

The two are spending over £2.5bn on the field's development, according to industry reports.

Shell UK Exploration and Production, as operator for the partnership, announced yesterday that the Brent C production platform—the fourth and final production unit—had been successfully located on the field. It was towed from Norway in five days.

The concrete structure was built by McAlpine/Seabank at Ardyne Point, Scotland, and towed to a deep-water site in Norway for completion last July.

Besides producing oil and gas, the platform will act as the pump station for the Brent pipeline system, which links the field to Sullom Voe, in the Shetland Islands, some 95 miles away. Brent oil is expected to be carried through this pipeline early next year.

### Programme

Initial supplies of Brent crude are being loaded into tankers for trans-shipment to refineries.

Oil from the field is being produced only through the Brent A platform, brought on stream on June 8.

The Brent B platform, which produced the first oil from the field in November, 1976, has been shut down while Shell carries out the second phase of its construction programme.

The Brent D production platform also began a three-week shutdown on June 10 so that gas compression facilities could be commissioned.

Oil produced through the Brent C platform should be added to the total output by the second half of next year.

Brent is thought to contain some 200 barrels of recoverable reserves (including about 600m barrels of condensate and natural gas liquids) is expected to reach peak production in the early 1980s.

Shell said that the field should yield up to an average of 560,000 barrels a day, rising to 100,000 barrels a day of gas liquids.

# Unit trust sales decline in still-buoyant market

BY ERIC SHORT

MAY unit trust sales continued to be considerably lower than April's record level, according to figures released yesterday by the Unit Trust Association.

Sales fell from £70.3m to £53.2m, but this figure was the second highest on record.

In the first five months of this year, total value of sales amounted to £244m, compared with £141m in the corresponding period last year and £165m in 1975.

These sales are well ahead of those for the corresponding periods in 1972 and 1973, reckoned the boom years for unit trust business.

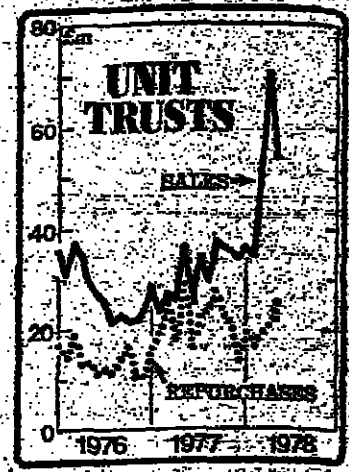
Repurchases, however, were also up on the month at £24.7m, compared with £21.4 in April, resulting in net new investment in May of £27.5m, compared with the record £48.9m of April.

Not new investment in the buoyant but were considerably lower than April's record level, according to figures released yesterday by the Unit Trust Association.

The surge in investment arises primarily from the popularity of U.S.-based funds, which have been advertised heavily by various unit trust groups, both large and medium-sized. The U.K.-based income funds have also contributed to the growth by providing a steady sales base. These groups still regard these funds as providing their "bread and butter" business.

Sales last month resulted in the value of funds under management increasing to £2.75bn at the end of the month from £2.58bn at the beginning. At the end of May last year the value of funds stood at £2.05bn.

However, the number of unit



holder accounts continues to show slow decline, shedding more than 2,000 in May, compared with 2,07m a year ago.

## Electricity Board's profit falls

THE SOUTH of Scotland Electricity Board made a £5.6m profit last year—considerably less than the previous year's despite record turnover of £400m.

The Board's annual report, published yesterday, shows that it paid interest charges of £6.8m last year. It therefore achieved its overall financial objective for 1977-78, which was to break even with something to spare.

Last year, the Board's electricity sales rose by 2.4 per cent. The most significant growth in demand came from industrial and commercial customers.

Reserves at the end of the financial year stood at £60.1m. More nuclear generating capacity would be required towards the end of the century to supplement coal-fired plants as indigenous reserves of oil and gas become depleted, according to the Board.

Mr. Roy Berridge, Board chairman, said in Glasgow that he did not expect any further increase in electricity prices before next April.

But he admitted that if there was a big increase in coal prices, the Board would have to review the situation.

Prices for domestic electricity in the South of Scotland area were about 10 per cent lower than in England and Wales, mainly because the Board had a higher proportion of nuclear power stations and more modern plant.

# Crown Agents official 'bribed to make loans'

A SENIOR OFFICIAL of the Crown Agents, the public body which needed a Government financial rescue in 1974, was charged in corruption involving £1.75m, it was alleged at the Old Bailey yesterday.

Mr. Bernard Wheatley, who died last year aged 48 and was manager of the Crown Agents sterling money market activities, was charged with bribing a company to obtain loans totalling £1.75m from companies owned by financier Sidney Finley, 58, of Nightingale Lane, Clapham, South London, said Mr. Roy Amlot, prosecuting.

Payments, in the form of loans, totalling more than £300,000 were made to Mr. Wheatley, said Mr. Amlot, and at the end of the day none of the £1.75m loaned by the Crown Agents to Finley's companies had been repaid.

Finley has denied eight charges of corruption which allege he made gifts or considerations to Mr. Wheatley in the form of loans totalling £321,000 as inducement or reward to him to authorise loans from the Crown Agents to either of two companies—SIS London or Big City Finance—which were in Finley's Tanveer Group.

Mr. Amlot said: "Mr. Wheatley died last year after his criminal trial for trial to this court and before he was actually tried. It was not for that unfortunate fact he would certainly be sitting in the dock with this defendant."

He told the jury Mr. Wheatley, as manager of the Crown Agents sterling money market, had authority to lend very large sums of money almost any concern he thought fit.

Between 1969 and 1974 Mr. Wheatley had loaned £1.75m to companies owned by Finley. The money was never repaid because in 1974 Finley's companies were going bust. They were, in fact, wound up in 1975.

Mr. Amlot said: "The allegation is that over the same period Finley was bribing Mr. Wheatley by lending him personally large sums of money through another one of his own companies and unknown to Mr. Wheatley's superiors in the Crown Agents."

Over the same period, Mr. Wheatley had been loaned a total of £322,000 in various amounts at different times. More than half of the money loaned to Mr. Wheatley was never repaid because he was not in a financial position to do so. At the end of the day Mr. Wheatley owed £182,000 to Finley.

In the case of the largest loan made to Mr. Wheatley, £108,000 in 1974—the Crown was saying that money was in reality the Crown Agents' own money.

"Such, says the Crown, was the state of corruption by February, 1974," said Mr. Amlot. He told the jury they may have read that the Crown Agents lost a great deal of money in 1974 and had been bailed out by the Government at the end of that year.

Mr. Amlot said the main function of the Crown Agents' sterling money market was the receipt of sterling deposits from principals in Britain or abroad and borrowing and lending sterling in this country.

"As the manager of their sterling money market, Mr. Wheatley had complete authority to make any loan of the Crown Agents' money he considered appropriate," said Mr. Amlot.

"It seems that the unwritten law was that he could lend amounts of money up to 70 per cent of the security offered, without referring to anybody else in the Crown Agents."

Mr. Wheatley and Finley got to know each other in the late 1960s and their relationship rapidly developed into a corrupt one. By September, 1969, one of Finley's companies had loaned Mr. Wheatley £1,000 interest free. At the same time, Mr. Wheatley was authorising a loan of large sums of Crown Agents' money to another one of Finley's companies.

Referring the jury to some of the documents in the case, Mr. Amlot said the book-keeping, especially in the money markets sections, of the Crown Agents, left "a certain amount to be desired."

## Stronger sterling predicted

By David Freud

STERLING is likely to strengthen, reflecting the altered prospects for monetary growth after the recent economic package, City brokers Laing and Crickshaft predict.

They say domestic credit expansion would have grown £3.5bn in the first half of 1976-79 but, after the package, it will grow by £1bn—or nil from now on. That will tend to reduce interest rates and the Minimum Lending Rate is expected to fall slowly, probably reaching 8 per cent by September.

The rise in sterling will be supported by improving expectations for the current account payments position next year, which might register a £1.5bn surplus compared with a predicted £250m surplus this financial year.

The most effective part of the package was the imposition of the corset, the firm says. The required 3 per cent reduction in banks' interest-bearing eligible deposits means that the money supply cannot grow more than 2 per cent in the first half of 1976-79, the equivalent of no growth between now and August-October.

The introduction of the corset meant that private-sector lending could only be allowed to rise £500m in the first half, against the pre-corset prospective growth of £3bn.

The Board sees the industry providing jobs and an incentive to stay in rural areas, without large capital outlay on plant and machinery.

It believes that the use of Welsh wool in quality controlled, well-styled garments, marketed at home and overseas, could be successful if carefully planned. Inbucan has already carried out similar studies in the use and marketing of natural fibres in the clothing industry, and into reviving the West Indian sea island cotton industry.

The knitwear industry is already the subject of a Government inquiry and has been selected as one of the key industries in the National Industrial Strategy.

The Department of Industry and National Economic Development Office have agreed to co-operate in the study.

# Economy picking up sharply, but slower rate is likely

BY DAVID FREUD

BRITAIN'S ECONOMY is picking up sharply, according to official figures, published yesterday, to identify changes in the level of activity. However, the indicators suggest that the pace is likely to slacken later this year.

The Central Statistical Office's two short-term indices of movements of shorter-leading and coincident indicators—have been rising for the six months to April.

The index of coincident indicators, which reflects current activity, which offset the rise in the FT-Actuaries 500 index—now 6.8 per cent above October's level. The shorter-leading indicators, which have an average lead time of about six months, are 7.2 per cent up.

However, the index of longer-term indicators, which have an average lead at turning points of about 12 months, fell in May for the seventh consecutive month. It stands 7.1 below the main reason for the May rise was a further rise in interest rates, used in inverted form, when compiling the composite index, which offset the rise in the FT-Actuaries 500 index—Indicators affecting the shorter-

leading index included the sharp rise in hire purchase new credit, which offset a fall in new car registrations.

The composite index of coincident indicators rose, in April, because of the further expansion of the smoothed series of retail sales, and an increase in the index of manufacturing products.

The office urges caution in interpreting month-to-month movements, and the figures are subject to revision. Nevertheless, the clear warning of a decline in activity, delivered by the longer-leading indicators, accords with general expectations.

## Fafnir rationalises UK production

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE LATEST victim of the company employs about 1,400. Cut-throat pricing in the bearings market has also led to further redundancies at SKF (U.K.).

The scheme will involve concentration of all standard bearing manufacture at Fafnir's Hedsnesford, Staffs, factory while the high-technology and space bearings—the group makes bearings for the Rolls-Royce RB-211 engines—will be made at Wolverhampton.

At one stage it seemed likely that the Hedsnesford plant would be closed even though it received the lion's share of Fafnir's £2.5m expenditure programme in 1974-75.

A major addition to the plant, which makes wide inner ring bearings and transmission cart-ridge units, was opened in spring 1975.

Discussions with unions and employees about redundancy terms are still going on. They have been told that about 300 jobs will go to Wolverhampton when some work is transferred to Hedsnesford and another 100 will be lost at Hedsnesford too.

The cut will go ahead "as quickly as possible." At present

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## 'Boost jobs in small companies'

By Our Midlands Correspondent

A CALL for the Government to focus attention on small companies to achieve a dramatic fall in unemployment comes today from the West Midlands Economic Planning Council.

The council says in a study of small concerns that capital investment in large companies restricts jobs through rationalisation. By contrast, the development of small enterprises tends to generate employment.

The Government is urged to make policies on taxation, employment and financial assistance to provide "positive help for growth-minded firms."

## Victorian paintings set records

THE DRAMATIC increase in demand for Victorian painting resulted in Phillips yesterday achieving a record total for picture sale of £222,340 (6 per cent unsold).

The sale of 19th and 20th-century English and Continental pictures reflected the interest Continental buyers are now showing in the period.

Edgar Hunt's *A farmyard scene with a dog, poultry and pigs outside a barn* (1921), fetched £11,000, a record price for the artist. The estimate had been in line with the previous highest of £5,600.

Rubens Santoro's *The Canal San Tomaso, Venice* was sold for £9,500 to Parachos, a *Canal Venice*, by the same artist, German dealer, and The Apostol went for £8,800 (estimate £4,000) to the London dealers Williams and Son.

Sotbely's sale of Spanish books yesterday totalled £4,213. The top price of £700 was paid

### SALE ROOM

by London dealer Quaritch for Espinosa (Pedro) — *Primera parte de Las Flores de Poetas* (illustrated by Espinosa) (first edition).

The sale of Russian works of art by Sotbely's realised £2,115. A 7-inch wide enamelled casket, by Maria Semenzova, Moscow, selling for £5,600.

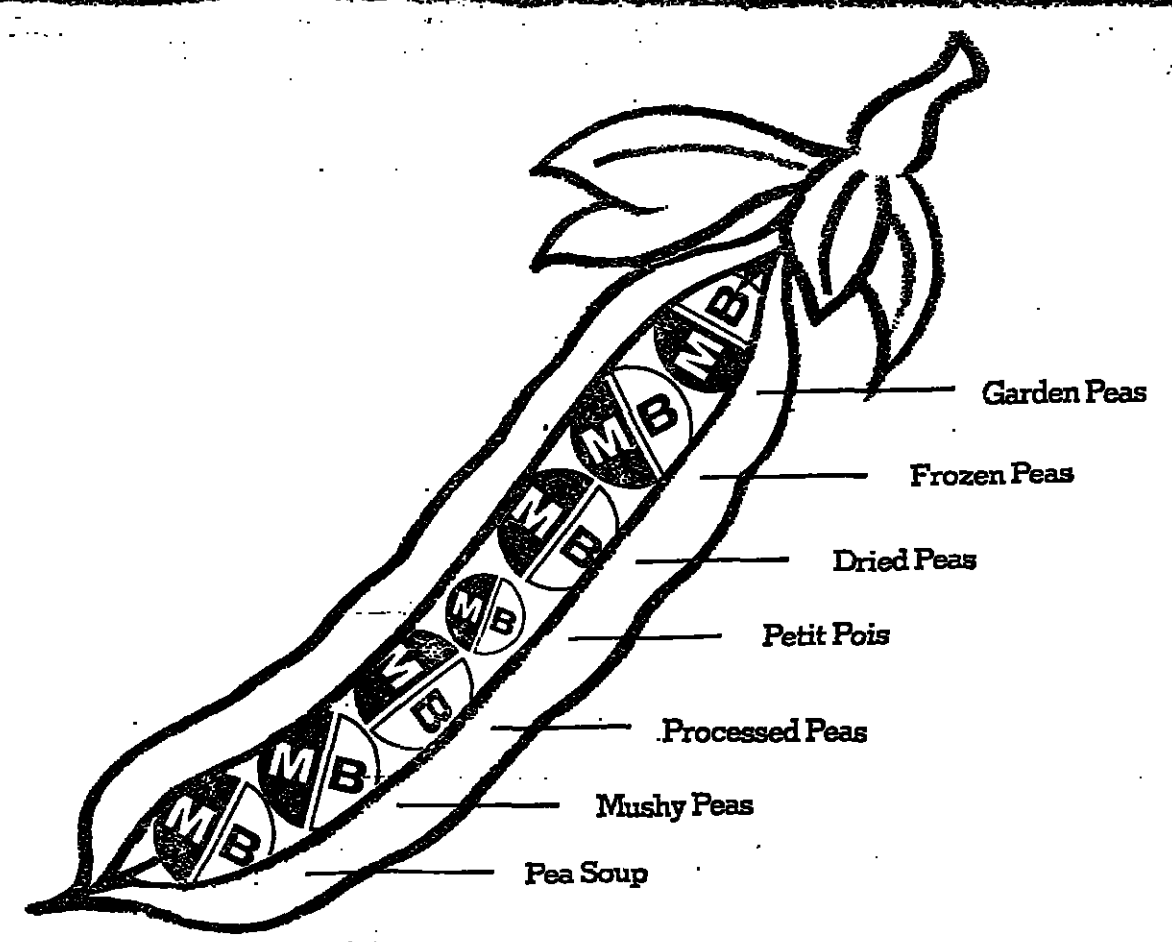
A Faergel gold cigarette case with an enamelled lid depicting three nymphs on a rock went for £2,500.

A sale of English and Welsh porcelain at Christies yesterday fetched £37,815. The top lot, at £11,150, was paid by Studio for a pair of Chamberlain's Worcester quart mugs, painted with dead game birds.

The Harry Ross collection, which went under the hammer at Christies, realised £33,543. Mr. Ross, who lives in Wimbledon, bought his first bottle for £25.

The top price in yesterday's 181st sale, was £2,500 paid by Sung the U.S. dealer, for a Peking enamel bottle, the base with Ch'en Lung four-character mark, painted with shaped panels of European ladies and children seated in wooded landscapes.

Today sees the start of Sotbely's sale of the von Hirsch art collection—one of the most important art sales held. The 750 works of art are expected to fetch at least £5m, and a total in excess of £10m seems likely.



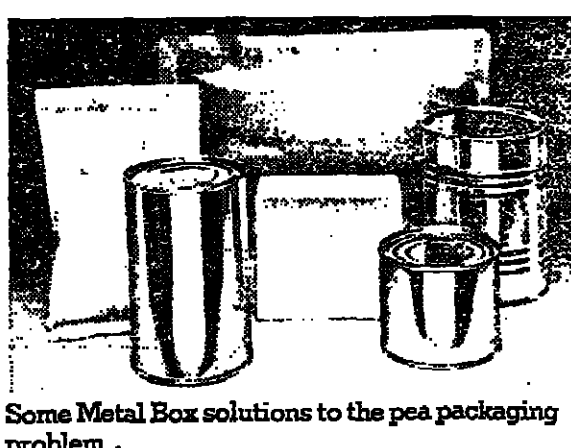
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## HOME NEWS

## NatWest personal account charges up

BY MICHAEL BLANDEN

PERSONAL CUSTOMERS of its five million personal customers at £50. Mr. Jeff Benson, the group chief executive, said that more than three-quarters of personal customers who keep in credit will continue to pay no charges. For customers who do not keep the minimum balance, the charge for debit entries goes up from 10 pence to 15p. This compares with the increase from 9p to 12p at Lloyds, where a lower charge of 10p was also introduced for Cashpoint automated withdrawals. NatWest is also introducing, in line with the Commission's suggestion, an allowance against charges for the value of money left on the account, which will be more closely related to the general level of interest rates. The allowance will be at 1 per cent below the bank's normal seven-day deposit rate, rather than the fixed 5 per cent which has applied until now. At present, this would give an allowance of 6 per cent. Lloyds fixed the offset allowance at 1 per cent below deposit rate.

NatWest is also changing its basis of charging customers, which at present varies between quarterly and half-yearly at different branches. All charges will now be made quarterly.

This will be introduced at the beginning of next year and has certain advantages for customers in reducing the period for which the minimum balance has to be maintained to qualify for free banking.

Mr. Benson pointed out that at the beginning of 1974, and in real terms had been reduced since then to little more than half its original value.

Commenting on the Price Commission's alternative suggestion that the banks should pay interest direct on current accounts, Mr. Benson said: "I am by no means convinced that many of our customers would welcome such a move, bearing in mind that as matters stand there would be a tax liability on the interest earned, but we will keep the matter under review."

## Footwear outlook bright

BY ARTHUR SMITH

THE OUTLOOK for the footwear industry this year seems reasonably bright, according to the British Footwear Manufacturers Federation's quarterly review, published today.

Higher consumer spending is expected to benefit the domestic retail trade, while the recent depreciation of the pound should give some help to exports.

The review presents a mixed picture of the industry, which is reported to be "still reasonably busy." Exceptions are in the men's leather sector and some parts of the children's trade where a swing to more casual styles has hit demand.

Most companies have more than a month's work in hand, but there is still widespread spare capacity. "The implication seems to be that, though firms are busier, few are as fully and efficiently confident to gear themselves up to higher rates of production," the federation says.

## Print leader stands firm against Phase Four

BY ALAN PIKE, LABOUR CORRESPONDENT

THE FIERCE resistance of some union leaders to any form of incomes policy after Phase Three expires next month was emphasised yesterday by Mr. Joe Wade, general secretary of the National Graphical Association.

Decisions on pay policy at September's TUC Congress could be "of vital importance" to the future of the trade union movement, Mr. Wade told delegates to the union's conference in Douglas, Isle of Man.

It was not the movement's function to "sacrifice on a permanent basis our hard-earned right to freely negotiate our own agreements, or to hand over these agreements either to the Government or the TUC."

Most trade union leaders accept that there can be no formal Phase Four agreement, but some, like Mr. David Bennett, general secretary of the General and Municipal Workers' Union, have suggested the possibility of the TUC agreeing bargaining priorities.

Mr. Wade, in unambiguous contrast to such views, said that the time had come for the TUC to "stop playing the role of policeman, either overtly or tacitly, over its affiliated unions in respect of pay policy."

For some time, he said, there had been a "wind about Phase Four and alle-

gations about secret meetings, accept any norms, guidelines or incomes policies at this time."

Among the motions on pay policy to be debated today is one calling for an aggressive campaign, including mandatory meetings in working hours, no-go operation and a work-to-rule aimed at achieving a high basic rate and a shorter working week.

Earlier, yesterday, Mr. Les Dixon, NGA president, expressed his concern that in recent months some national newspaper members had refused to accept the authority of the union.

This problem arose most recently in an unofficial dispute by machine managers at The Observer, and led to warnings that the newspaper could close down normal working was not resumed.

There is nothing more damaging to a trade union than the undermining of its constitution and authority, and having to inform any management that we are giving to normal working members a "strike instruction," said Mr. Dixon.

London region delegates yesterday failed in an attempt to have motion included on the agenda which would have given regional secretaries authority to call industrial

## Transport workers back pay offer to builders

By Nick Garnett, Labour Staff

THE Transport and General Workers' Union estimated that from its difficulties over the year's pay and conditions offer for the construction industry when pay delegates voted yesterday to accept the deal.

The same pay delegates on the union's joint construction and craft committees last month rejected the offer in advance of their negotiators' strike action in support of the offer.

The Transport Workers' subsequently found that few regions were willing to take industrial action, planned for this month, and UCAAT's annual conference later stood firm on accepting the deal.

The joint union side of the construction industry is to discuss the situation today before meeting employers' side, the National Joint Council for the Building Industry.

Earnings

Although the two smaller unions covered by the national agreement, the General and Municipal Workers' and the Plumbers, Timber and Allied Trades, have also been unwilling to accept the offer, the Transport Workers' vote yesterday will ensure that the deal is concluded.

The settlement, which will run from June 26, will raise craftsmen's total minimum earnings from £5.50 to £6.25 and from £6.25 to £7.00 for labourers from £4.70 to £5.25.

The Transport Workers' said the lay delegates, who voted reluctantly 18 to 5 for the deal, had done so in the light of existing circumstances and "in order to avoid disunity resulting from decisions taken by other unions which could result in confrontation on the picket lines."

## Shop stewards threaten to quit union

By Arthur Smith, Midlands Correspondent

SHOP STEWARDS representing Midlands' oil industry workers have threatened to pull out of the Transport and General Workers' Union unless a "strike instruction" against Mr. Alan Bates, regional secretary of the commercial transport drivers, is halted.

They are protesting at the call by drivers in another branch for a national inquiry into allegations of irregularities in a ballot involving Mr. Bates.

The drivers are organising a petition of support for Mr. Bates.

Higher TUC fees sought

PROPOSALS for a 25 per cent increase in TUC affiliation fees are to be considered by the General Council soon.

The plan, if approved, will go before Congress for endorsement in September. It would add about £250,000 by 1980 to the present affiliation income of £2.5m.

## Television revenue may rise

INDEPENDENT television's advertising revenue may increase this year by 20 per cent, boosted by higher consumer spending after last year's jump of 30 per cent to £300m, according to a survey by Glasgow stockbrokers Eason Watson and Smith.

"The advertising mix is broadening all the time," Mr. David Robb, an Eason research analyst, said yesterday.

"High prestige companies like banks and building societies are now bidding for prime time."

The industry had recovered from the 1972 setback, when an increase in broadcasting time boosted production costs, as consumer spending declined.

Granada and London Weekend Television were prime investors in the sector. Both had minimised the risk of losing their franchises under the review in 1981 by selling production rights for network distribution.

Such a move tended to insulate companies against the charge of poor quality TV productions.

The companies had avoided some of the worst effects of the special levy, which could cream off up to 60 per cent of a contractor's profits, by selling TV productions overseas.

## Aldershot arms exhibition interests Chinese mission

BY LYNTON McLAIN AND COLINA MacDOUGAL

BRITISH PLANS to convert container ships to carry the Harrier vertical take-off fighter were unveiled at the Aldershot Army Equipment Exhibition yesterday 24 hours before Chinese defence manufacturers plan to tour U.K. company stands. The exhibition is the largest and most comprehensive array of military equipment ever exhibited in one place, the Ministry of Defence said yesterday.

Over 10,000 items of equipment are on show in this shop window of UK defence equipment in the Royal Aircraft Establishment, Bedford.

The six-man Chinese military mission is expected to stay about

two weeks and will be visiting British manufacturers after touring of the arms exhibition. The Chinese are expected to call at the EMI stand at the exhibition to see the Cymbeline light weight radar for mortar fire location in which they are very interested.

They are also understood to be visiting Plessey radar in the Isle of Wight and will want to see Marconi's field artillery computer equipment. On Thursday they are expected to attend the freepower demonstration at Bovingdon, Dorset, which will include a demonstration by the Hawker Harrier vertical take-off fighter in which the Chinese have already shown great

interest. The dispute arises from a reinsurance package, which C. E. Heath, Lloyd's brokers, arranged with Oceanus for the syndicates after they had insured containers for CTL, a New York container group.

Meanwhile, Oceanus is involved in a separate action with CTL. CTL is suing Oceanus for \$300,000 alleged to be due under the terms of an insurance policy dated April 4, 1977. Oceanus is resisting that claim on the grounds that an unrepresentative claims experience was presented to it when the insurance was originally placed.

And on yet another front, broker C. E. Heath is involved in a dispute, which has gone to arbitration, with a Lloyd's syndicate over other insurances arranged for CTL.

The writ was issued towards the end of last week by Mr. James William Bragg, who is suing on his own behalf and behalf of all other members of the Chester syndicate, for alleged breach of contract.

believed to be a dozen in all. In addition to damages there is a claim for a declaration that Oceanus is liable to indemnify the Chester syndicate and the other plaintiffs "in respect of further sums."

At the COHSE annual conference in Scarborough, delegates voted overwhelmingly in favour of a national executive motion which "deplores the continuing low rates of pay of staff in the health and social services."

It called for a minimum basic wage of £80 a week to be sought during the 1978-79 pay round.

Meanwhile, a walkout by electricians over pay parity with private industry disrupted services at the Charing Cross Hospital, in London yesterday.

A bid to resolve a dispute at Greenwich District Hospital, over the sacking of a sister, failed after talks between staff and hospital management reached stalemate.

## UK chemical industry saving more energy

Financial Times Reporter

THE UK chemical industry has cut its total energy use per unit of output by 18 per cent since 1970, according to a report on energy statistics by the European Council of Chemical Manufacturers' Federations which was published yesterday.

It shows that energy savings by the UK chemical industry, which generates 33 per cent of its own electricity from waste gases and other sources, were rather better than the EEC's average savings.

The report also shows that the chemical industry accounted for 18.8 per cent of total EEC energy consumption in 1976 compared with only 15.9 per cent in 1970.

It is suggested that the main reason for this is that chemicals output grew faster than total industrial production during the years 1970 to 1976. The UK's output has increased by 28 per cent over this period.

## Crossed lines at Post Office

The customer's demands could go up in smoke. This is quite apart from the possible disruption of the Post Office's rapid and extensive introduction of new technology in an expanding market.

Why have the 125,000 Post Office engineers turned so angry? The dispute has a long history, and rests on the fact that the engineers have always had longer standard hours than typists, cleaners—indeed all other grades. The latter are paid during their meal breaks and have, in effect,

Secondly, they feel they should be rewarded for past co-operation in substantial productivity gains to extract some benefit from the improvement. Pay policy has, of course, also contributed to the grievances of craftsmen for whom differentials are sacrosanct.

Thirdly, Mr. Stanley believes, the Post Office has simply failed to address itself to the industrial relations problems associated with rapid change in the nature of jobs, and failed to assure its members that jobs will not be lost as automation increases. F.O.E.U. leaders believe that the expanding market will help maintain jobs. The members, however, are not convinced.

This last point is unusually important in an industry where men are trained in skills that only one employer—the Post Office—can use. They go in

## Co-op plan abandoned

WELSH trade unionists have effectively abandoned a plan to take over British Steel's Redpath Dorman Long subsidiary in South Wales as a workers co-operative.

The formation of a co-operative was suggested by the Wales TUC as a last-ditch scheme to save the jobs of 300 men at Redpath's Torrefaction plant in the Rhondda Valley, where unem-

employment is running at 16.5 per cent. Redpath is to close the works, which makes structural steel in September, because of the depressed state of the construction industry.

But after discussions with the management, the unions at the plant have accepted that their resistance to closure has been seriously inhibiting efforts to find alternative jobs for those affected.

NEWS ANALYSIS

POEU DISPUTE

BY CHRISTIAN TYLER

A holding operation, and possibly a path to settlement, has been devised by the Department of Industry.

Lord McCarthy, the industrial relations expert from Nuffield College, Oxford, is to hear the union and Post Office's case next Monday, after which he will presumably suggest the basis of a negotiated settlement. None of the parties is bound by his report.

There is no evidence that the POEU dispute, which has meant industrial action since last October, has shaped the demands that the TUC will put to the Government in the talks that are now beginning in earnest about pay after Stage Three.

But the TUC's and POEU's coincidence of view could materially help the union secure the forward commitment to a reduction in hours that it is seeking.

The dispute has brought together, in the view of Mr. Stanley, a whole range of worries and grievances. He fears that years of close consultation with the Post Office and dedication to

## You're OK—OK care about me

It's Mental Handicap Week this week, and we'd like to ask you to spare just a few minutes to think about the problems facing mentally handicapped people and their families.

We do all we can to help the one child in every hundred who is born with a mental handicap, but we are totally dependent on voluntary contributions. Could you help?

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MENTAL HANDICAP WEEK - JUNE 18-24

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LONDON JULY 10-21 1978

The increasing amount of accounting and financial management needed to run a modern successful business is placing great strains on middle and senior management not trained in accountancy. To meet this problem, the Financial Times and The City University Business School, of London, have arranged a two-week course entitled 'Financial Management for the Non-Financial Executive' to be held in London on July 10-21, 1978.

This course was first held in 1977 and attracted substantial support from Britain and abroad. The suggestions of tutors and course participants in 1977 have been taken fully into account in preparing this year's programme and the sponsors believe its value will have been increased still further.

The course will be headed by a former finance director of a major industrial company and a merchant banker, and the panel of 22 distinguished lecturers are drawn from universities, commerce, accountancy and banking. The participants will be divided into study groups of fifteen people headed by a group leader. The ten days of instruction are broken down into lectures, case studies and various group exercises so that the students take an active part in the programme.

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MENTAL HANDICAP WEEK - JUNE 18-24



# Pay restraint vital 'to curb inflation' Net external liabilities increase to £2.4 bn

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A "VERY marked and distinct fall" in the rate of increase in wages in the coming year is needed if the improvement in the rate of price inflation is to be maintained, says the latest quarterly bulletin from the Bank of England.

The bulletin, published this summer, pays particular attention to inflation. It did Mr. Gordon Richardson, the Governor of the Bank, in his Bernese speech last week.

The Bank says that the 12-month rise in retail prices may reach about 8 per cent for the rest of this year, with small fluctuations.

This is in line with the recent statement by Mr. Roy Hattersley, the Prices Secretary, about inflation prospects, though the Bank puts it more tentatively.

The bulletin notes that fears of a new acceleration in wage inflation have caused market uncertainties.

"Such a development is not impossible and the fear of its materialising cannot be demonstrated as unreasonable."

"But in the summer, before each of the previous three pay rounds, the continuance of wage moderation appeared uncertain. In fact, there is no reason to regard a renewed acceleration as inevitable."

## Moderate claims

The Bank notes that "very considerable progress" has been made. "The rate of inflation in this country is now almost in line with the average among the UK's competitors."

"However, this is clearly only a relative success and other countries are now likely to give renewed priority to containing inflation. This year's increase in earnings is still quite large—and is resulting in a clearly abnormal increase in real incomes."

It is estimated that real average earnings rose by 51 per cent during the first eight months of the present pay round, with a further rise likely during the remaining months.

Real average employment incomes moved more or less in

line with productivity in the early 1970s; the relationship broke down during the rapid inflation between 1973 and 1976, but was almost restored after Phase Two.

During the present wage round, the growth of real wages appeared to be moving ahead of productivity once again.

"A continuation of anything like this year's rate of increase in (nominal) earnings would be quite incompatible with holding the rate of inflation next year or reducing it below this year's figures."

"This may not be fully appreciated; there seems need of much greater awareness that nothing can be repeated, and that a very marked and distinct fall in the rate of increase in wages is needed if the success of efforts so far is to be pressed home."

The rise in prices next year could well be below 8 per cent if the rise in earnings also were below this 8 per cent figure. The

Bank of England Quarterly Bulletin: Volume 18, No. 2, June 1978. Available from Economic Intelligence Department, Bank of England, London EC2R 8AH.

achieve this, the rise in wage rates would have to be somewhat lower still.

"There will have been a large increase in personal real income in the present pay round, with earnings going up far faster than prices; if the next rise in wage rates were kept to moderate dimensions, this would be incompatible with a continued rise in real incomes next year."

"If inflation could be reduced next year, there would be a good chance of continued moderate economic expansion over the next few years. How fast a rate can be sustained will depend in part on how fast expansion proceeds in the rest of the world."

"Consumer spending rather than Government expenditure is the main influence behind the expansion in demand taking place this year."

"Consumption has been growing strongly since the middle of

last year, under the influence of tax cuts and earnings increases well above the growth in prices. The signs are that consumption will continue to rise fairly strongly."

The savings ratio was likely to have fallen only slightly in the first quarter from the earlier record level of 18.2 per cent.

"Any reduction in the savings ratio from its present very high level would add to the growth of consumption; however, it seems quite likely that individuals will take the opportunity to rebuild their stocks of liquid assets which, in real terms, have been depleted during the past five years."

"Taking all these factors into account, there is the prospect of a rise in consumer spending of perhaps 5 to 6 per cent during 1978."

In the past, such an expansion has tended to be frustrated by the tendency for most of the increase in demand to be met by imports, and for domestic production to respond only slowly."

If expansion was to proceed successfully, financial confidence needs to be maintained.

There is a lengthy discussion of the reasons for the change of mood in financial markets this year.

The Bank identifies the poor trade figures for the first quarter, the periods of pressure on the exchange rate associated with strengthening of the dollar, some aspects of the budget proposals, the growth of sterling M3 towards the end of the last financial year and underlying doubts about the future course of inflation."

"The pace of monetary expansion must, in general, affect the exchange rate."

But, in spite of research efforts, it is hard to establish a close-knit relationship between

the exchange rate and the rate of monetary expansion here and abroad, of a sort which could explain recent changes in the exchange rate in these terms."

This view has been put forward by the London Business School, among others.

"The pace of monetary expansion this year did not become fully apparent until May and only then gave rise to widespread concern."

"It thus seems unlikely to have played a major role in the weakening of confidence in sterling in March."

Nevertheless, over the longer term, the evidence suggests that it can only be helpful for exchange rate stability that monetary expansion should be kept within the target range."

The commentary section of the bulletin discusses the degree of spare capacity in the economy. It concludes that capacity constraints on manufacturing activity are unlikely to emerge, at least in the short term.

Evidence of serious shortages of some key craftsmen was growing, and these could inhibit

growth in some parts of the engineering industry over the next year.

The Bank also includes an attempt to calculate what the Budget balance would have been if the effects of changes in the level of economic activity and unemployment were removed.

Considerable difficulties and estimation problems are involved with similar research carried out by the Treasury, the National Institute and the Department of Applied Economics at Cambridge.

The broad pattern had been similar, showing the "considerable extent by which discretionary fiscal policy has tightened since 1974."

The Bank estimate implies that the fall in the level of economic activity over the period has offset the discretionary impact of discretionary fiscal policy.

It has increased the public sector financial deficit by 6.1 per cent of Gross Domestic Product. This has worked via the operation of automatic revenue and spending stabilisers.

LARGE INFLOWS of funds from abroad last year and the rise in the value of sterling, made a substantial impact on Britain's external "balance sheet," a special article in the Bulletin shows.

At the end of last year the total value of the country's net external liabilities—the balance sheet deficit—had risen to £2.4bn. This compared with £1.5bn at the end of the previous year, revised downwards from the earlier estimate of £2bn.

Within last year's total, a fall in the net external assets of the private sector of nearly £2bn outweighed a decline of £5bn in the net liabilities of the public sector.

The Bank points out that, in some senses, the picture of a larger deficit at the end of last year is misleading because of the effect of exchange rate changes. The effective 18 per cent depreciation of sterling during 1976 is estimated to have added around £1.5bn to total assets rather than to liabilities in sterling terms.

In contrast, the effective 7 per cent appreciation last year cut assets by £1bn more than liabilities.

The Bank attempts to eliminate the effects of exchange rate changes on the UK's net external position in the last few years.

The figures are rough estimates but they show that, after the large increase in net liabilities of £2.6bn in 1975 and the earlier rise of £1.5bn in 1974, there was hardly any change last year.

In the private sector, total net assets dropped by £3.9bn last year, with assets falling and liabilities rising. This was in sharp contrast with the net rise of £4.2bn in the previous year.

The book value of UK companies' direct investment abroad is estimated to have risen by only £300m, after jumping by about £3bn the previous year.

Against this, overseas direct investment in the UK rose by £350m, largely the result of unrepatriated profits.

UK oil companies' net assets abroad rose by some £150m, while continuing large capital spending on the North Sea was reflected in a £1.15bn increase in the net UK assets held by overseas oil companies.

The stock of UK portfolio investment abroad fell by £1.35bn, but overseas residents invested £225m in UK company sterling securities. UK companies also raised a larger amount by borrowing abroad.

Net banking and commercial liabilities rose by some £1.45bn, with a particularly steep increase of £1.6bn in the sterling deposit liabilities of UK banks.

This was almost entirely due to private overseas holders from a wide spectrum of countries and was concentrated in the second half of the year when the pound was expected to rise.

The inflow of foreign funds into gilt-edged securities was a major influence on the public sector's position. The net public sector external liabilities, apart from official financing items, rose by over £2bn to £3.9bn after declining by £200m in 1976.

Over £1.8bn of the increase was due to a rise in foreign holdings of gilt-edged stocks. Private overseas residents invested nearly £1bn in this way, a record figure nearly ten times larger than in 1976, the previous record year, and roughly double the total net purchases over the previous decade.

The rise clearly reflected the combination of attractive yields, falling interest rates and the expectations of an appreciation of sterling.

The recovery of confidence led to a massive inflow into the UK, much of it going into the reserves.

The exceptional increase in reserves left a net official asset position of over £1.1bn at the end of last year, in spite of rises in financing liabilities through the borrowings from the IMF and other sources.

## 'Wage bill best key to export chances

THE BEST measure of the United Kingdom's export competitiveness is the International Monetary Fund's normalised unit labour cost index, a special article in the bulletin said.

However, no single index was best able to explain changes in the volume of imports. The bank found that a combination giving equal weights to the smoothed unit labour cost index and the ratio of import prices to whole sale prices was able better to explain the volume of finished manufactured imports than any single index.

As for other factors, the tests showed that in exports, the growth of world trade was highly significant.

In imports, the domestic business cycle was always significant, confirming that the higher the pressure of home demand the higher its proportion that will be satisfied from imports.

The bank said that on unit labour costs, although not on most other measures, the UK was probably still much more competitive at the end of last year than in 1970 and 1975.

The reason the unit labour index worked best on empirical grounds was probably that it was applicable to a variety of market conditions.

The significance of world trade in the export equation, and the fact that relative export prices significantly added to the explanatory power of the export equation, provided evidence for the existence of demand constraints on the level of UK exports.

The correspondingly low weighting given to normalised unit labour costs in the export equation suggested that a large improvement in competitiveness (as defined (whether by depreciation or by incomes policy)) would be necessary to achieve any sizeable increase in export volumes.

## Change in seasonal money forecasts

THE Bank of England is to publish its forecasts of the seasonal adjustments for the money supply and banking figures each month ahead of the appearance of the figures themselves.

The new move follows the large changes which were made to the seasonal adjustments last year. In describing the plan the bank's latest bulletin says that the forecast adjustments for the next month will be released at the time of publication of the monthly figures.

However, because these forecast adjustments may have to be revised at times, any revised adjustments will be made known when the bank publishes its figures of eligible liabilities for the banking system. This is normally just over a week before the appearance of the full money supply statistics.

This is not expected to happen more than two or three times a year, and revisions are most likely to be needed in January and February when there are uncertainties associated with the Bow of Corporation Tax.

A £750m underestimate of likely Corporation Tax receipts, which only became apparent late in the year, was one of the reasons for the sharp upward revisions in earlier estimates of the money supply announced in May, according to a special article in the Bulletin. As a result, the Bank says, arrangements are being made to shorten the time lag between initial revision and analysis of tax receipts and the consequential recalculations of the seasonal adjustments.

The Bank points out that there are greater difficulties in measuring the seasonal influences affecting the money series than for many other official statistics. The past may not be a reliable guide to present seasonal patterns, largely because of abrupt changes in the pattern of public sector operations."

An important problem has arisen in attempting to forecast the public sector borrowing requirement, which has proved difficult not only for the year as a whole but particularly in relation to the month to month pattern of changes.

The Bank says: "Later information on the outcome for the financial year accounted for a large part of the revisions which were announced in May; the remainder reflected modifications to take account of better information about Government expenditure by banking months (rather than calendar months) as soon as this became available."

Impact

The first problem, the article comments, arises from the abrupt alterations to the seasonal pattern of the flows of receipts and payments which can result from administrative changes.

In the first year of two after such a sudden change, it is necessary to estimate the often substantial impact on the regular monthly pattern of bank deposits and advances.

The Bank emphasises that it is not the purpose of seasonal adjustment to correct for all fluctuations in Government receipts and payments, but only those of a recurring nature. Even after seasonal adjustment, erratic items will always remain in the monthly banking figures."

The second difficulty arises from the different dates on which the banking figures are taken—the third Wednesday of each month except December, when it is the second Wednesday.

This is important mainly because of the influence of Government transactions which do not flow evenly throughout the month. Therefore, the money and banking figures are adjusted by "an estimated correction

for recurrent patterns associated with the varying reporting dates, as well as for the more 'normal' seasonal factors which cancel out within the year."

Distinctive characteristics of the adjustments lead to some unusual features. "First, the adjustments to be applied to individual months in any year often differ substantially from those for the same month in the year before."

Second, the seasonal adjustments do not necessarily precisely cancel out over a period of 12 months."

The Bank then turns to the question of the year on which the adjustments are based. At present, this is the calendar year rather than the financial year or the banking year to mid-April. There are some reasons for thinking that the adjustments to the monthly money supply figures would be better based on the financial or banking year.

However, other considerations point the other way, the Bank says. A particular problem has arisen with forecasting of corporation tax receipts and though the problem of revisions previously not been so important, this year the original corporation tax forecast was £750m, too low and the full extent of this underestimate did not become clear until very late in the financial year. The Bank comments, is that the target period for monetary aggregates may not always be mid-April to mid-April. The rolling targets adopted for the current year could mean, for example, that they might on occasion run to October.

The arguments, the Bank concludes, are finely balanced and an eventual change to centring on financial years is by no means ruled out. However, whatever year is chosen, the total adjustments will not cancel out exactly."

## Oil revenue of exporting countries falls slightly

TOTAL oil revenues of oil-exporting countries fell very slightly in the first quarter of this year, according to estimates by the Bank. With this decline, and a further increase in imports, the surplus funds available dropped to \$5.4bn compared with \$6.4bn in the final quarter of 1977.

With revenues likely to decline further, the Bank expects a further fall in the cash surplus, in the third quarter the amount invested in sterling holdings was again little changed. However, foreign currency deposits with UK banks rose by \$1bn after this year.

Bank deposits in other countries continued to rise, though less strongly than in the previous quarter. The diversification into currencies other than the dollar, which had been significant in the third quarter, was less noticeable in the fourth and it seems likely that little further diversification took place in the first quarter of 1978.

NET EXTERNAL ASSETS AND LIABILITIES

	End-1974	End-1975	End-1976	End-1977
£bn				
Investment	+5.9	+6.2	+9.3	+4.8
Banking and commercial	-1.6	-2.1	-0.9	-2.4
Net external assets of the public sector (other than reserves and other official financing)	+4.3	+4.1	+8.3	+2.4
Public sector (other than reserves and other official financing)	-4.7	-4.1	-3.8	-5.9
Reserves and other official financing	-	-1.7	-6.0	+1.1
Net external liabilities of the public sector	-4.1	-5.8	-9.8	-4.8
Total net external assets/liabilities of the United Kingdom	+0.2	-1.6	-1.5	-2.4

## Plea to oppose Lakeland plan

MR. ROLAND WADE, acting chairman of the Council for the Protection of Rural England, urged the Lake District National Park Board yesterday to oppose the plan to raise the level of Eborale Lake in the Lake District by four feet.

He said that would submerge the shoreline.

He told the annual meeting of the conservation body's Lancashire branch that the scheme was widely opposed.

## The businessman's guide to incentives available in the Areas for Expansion.

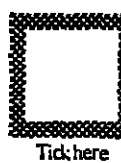
Below is a brief guide to the investment incentives available in the Areas. They apply to companies moving into, or already in, the Areas for Expansion.

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### Capital grants

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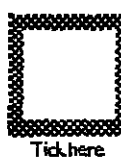
### Attractive finance

Interest-relief grants, or favourable-term loans. Fixed-interest loans from European Community funds.



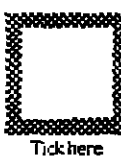
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To: The Industrial Expansion Team, Department of Industry, Millbank Tower, London SW1P 4JQ. Please send me full details of the benefits available in the Areas for Expansion, as I have indicated above.

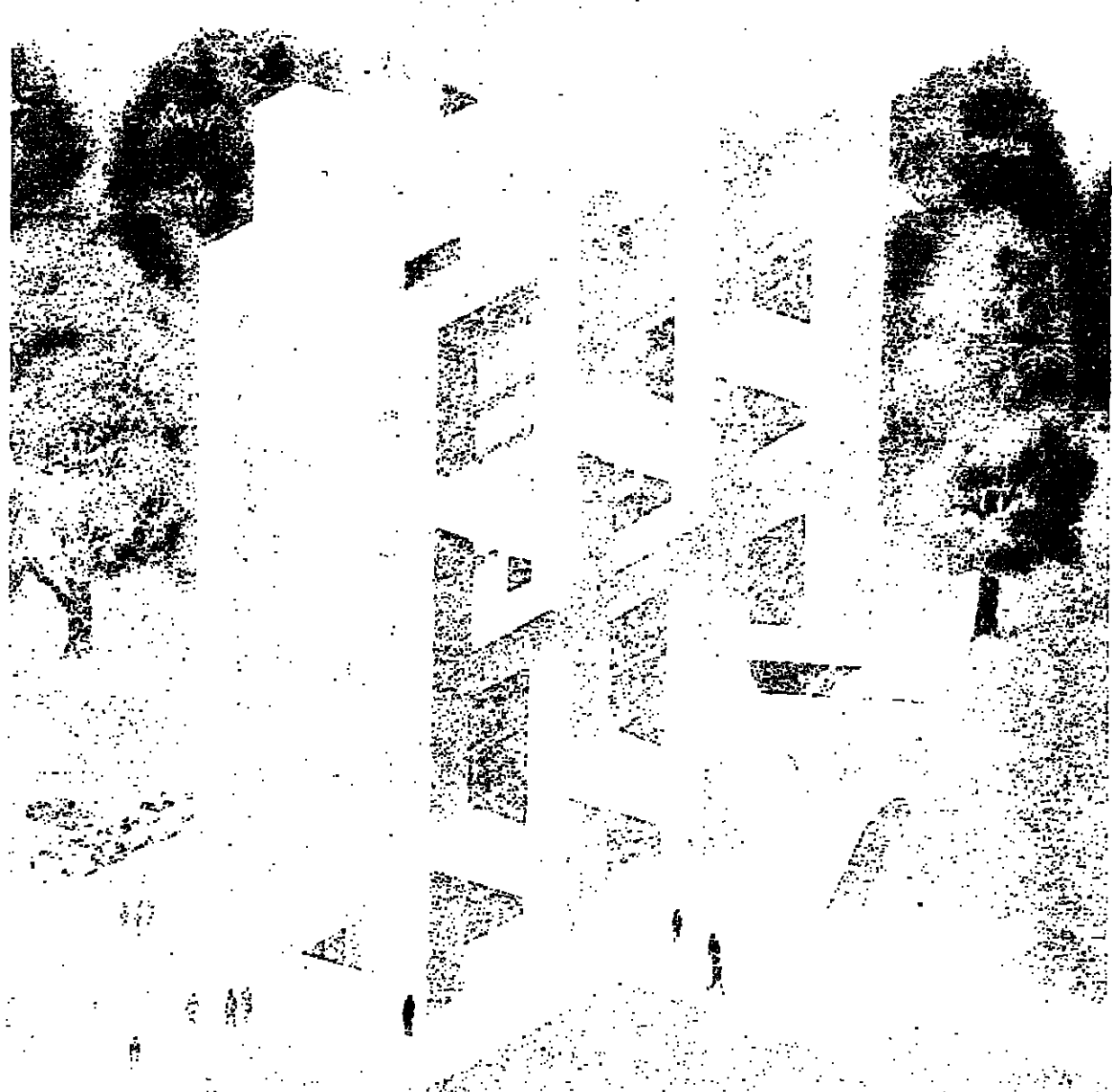
NAME \_\_\_\_\_  
POSITION IN COMPANY \_\_\_\_\_  
COMPANY \_\_\_\_\_  
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Areas for Expansion

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# A bumpy ride on the road to efficient licensing

A MOTORIST went to prison recently rather than pay a small fine for failing to produce his driving licence to the police. He told the Court that his application to renew his licence had been "lost" within the Driver and Vehicle Licensing Centre in Swansea.

However, subsequent investigation at the 16-storey purpose-built licensing complex in South Wales revealed that the motorist had not made his application for a licence until after he was picked up by the police.

The motorist had tried to use the fast-growing weapon against driving violations: the so-called "Swansea Defence." This tries to put the blame for any offence involving car registration or driver licensing firmly in the lap of the Swansea computer. Although in this particular case the Court was not impressed with the "Swansea Defence," the motorist's allegations received widespread publicity.

Since it was opened just over five years ago, the Swansea Centre has been the subject of many such stories. They range from a child of six being sent a licence reminder to a man whose driving licence number turned out to be the post code of his address. In more serious vein, bus drivers and others who rely on a driving licence for their work have allegedly been suspended from their jobs because their licences have been held up at Swansea. In one such case, a judge went so far as to brand the computer a "monster."

It is no surprise that such apparent bureaucratic bungling has been latched onto with glee by Conservative MPs. Mrs. Sally Oppenheim, MP, a Tory front-bench spokesman, is currently compiling a dossier of alleged delays. Other MPs—the latest is Mr. Patrick Cormack, Tory MP for Staffordshire South-West—are also putting pressure on the Department of Transport to hold a full-scale inquiry into the Centre.

They are little mollified by Mr. William Rodgers, Transport Secretary, recently giving the Centre a clean bill of health after visiting the complex.

Yet critics of the Centre have an unlikely ally in their demand for an independent inquiry. The union which represents most managerial grades at the Centre, the Society of Civil and Public Servants (SCPS), has

strongly attacked the Centre's top officials for poor management leading to a sharp slump in staff morale.

"The most shattering aspect," the union says, "is that much of the responsibility for the Centre's failings lies at our own doorstep...and in particular at the senior level where decisions are finally made."

The union lists a whole catalogue of bad decisions by senior management and says that its members have nothing to fear from an outside inquiry.

These latest allegations of lengthy delays and costly errors are not the only problems the Centre has faced in its short history. It started off on the wrong foot by costing more and taking longer to become operational than expected—problems that received a sharp rebuke from the powerful Commons Public Accounts Committee. Then in 1976, the Government was on the verge of shutting down that part of the centre responsible for motor taxation in order to reduce Civil Service manpower.

Eventually it decided against this—but last year the Centre was again in the news when staff refused to handle the so-called "cherished" transfers of personal number plates.

And the centre is currently repaying up to £1m to almost 100,000 motorists who may have been misled last year over the terms of the rise in vehicle excise licences. This followed an Ombudsman's decision that three people were misled at the time.

In one sense, however, the Swansea Centre was a victim of circumstances. It was conceived during the 1960s when the "big is better" philosophy was rampant. The 1965 Waller Report recommended that driver and vehicle licensing should have "a central office, of considerable size, with a large automatic data processing system." This was to replace the previous system under which driver and vehicle licensing was carried out by 183 local offices by local authorities. They were fast becoming unworkable to cope with the explosive growth of motoring. During the 1960s there was a 50 per cent increase in the number of drivers and a 60 per cent increase in the number of vehicles. There are about 22.5m

commercial and private drivers and 19m cars at present in the UK, compared with 5.4m drivers and 4.1m cars in 1949. The number of cars being licensed is growing at the rate of 1.5 per cent a year.

As part of Government relocation policy, Swansea was chosen as the home for the new computerised records and administration of driver and vehicle licensing. The complex, with its 5,500 staff, spans some 25 acres on a site about five miles from the town centre. But even this mammoth accommodation is not enough: the Centre has been forced to spill over into other offices in the

middle of Swansea. While the Swansea computer now holds all records of vehicles and drivers in the UK, the renewal of vehicle licences is carried out either at Post Offices or at 81 special vehicle licensing offices throughout the country. These offices also issue new licences and issue registration numbers.

But all the work on driving licences is carried out at Swansea. The Centre gets about 10m items of mail every day—more than twice the rest of Swansea's private and business mail put together.

Applications are checked for obvious errors—about 5 per cent are immediately returned for correction. All documents are then typed and stored on microfilm. It would be impossible to store records—and the microfilm retrieval area is the largest of its kind in Europe.

As something like 100m transactions are made a year—the Centre deals with 25m applications from individual drivers and issues more than 45m driving licences—staff carry out comprehensive checks to try to reduce the number of errors. Data is often keyed twice into mini-computers to check for discrepancies.

Routine data processing, such as licence renewal reminders, is sent out, do not have to be laboriously keyed into the system. Instead the data is fed into a special machine which "reads" the printed characters and converts them directly on to magnetic tape. The new information on tape is then fed into the Centre's three main computers to update existing records. A new master record, consisting of 250 reels of computer field.

of tape is produced each night. The computer automatically prepares tapes of documents to be printed and these are then run through high speed printing machines. Up to 500,000 of these are sent out each morning to the Centre.

With a daily computer check on all the Centre's records, it is possible to ensure that no licence reminder is missed. Some 45m driver and vehicle records are processed each night. It is not surprising therefore that some errors occur.

The most frustrating type of error is that which leads to lengthy delays in the system. Some 93 per cent of applications are dealt with inside 10 working days, and about 96 per cent within 12 working days. But when weekends and public holidays are added to this, and allowing for postal delays, the average response is three weeks and often four.

The Centre's operating target is around a 94 per cent response within ten working days. At its present level of 93 per cent it is hardly bad enough to warrant the abuse heaped upon it. And it is estimated that only one really serious delay is made in about every 100,000 cases.

Motorists who have a complaint or want some information written are able to ring or write to the Centre. About 1000 inquiries a day are received—about four out of every 1000 complaints—and these are dealt with by over 400 specialist staff.

This inquiry system has been one of the more successful examples of managerial initiative at the Centre. But, according to the union representing middle managers (the SCPS), the overall record of senior management at the centre has been less impressive.

One of the union's criticisms focuses on the running of the Centre. It is the general problem of finding and keeping the right calibre of personnel. Civil Service salaries for computing staff are about £1,000 below the current market rate and the demand for qualified staff in the private sector far exceeds the supply. It is even more difficult to attract top computer personnel to move to Swansea.

Such problems are well known to the Centre's top management and a recent Civil Service report agreed that there were personnel difficulties in the computer field.

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Capital & Reserves	2,148	4,085	28,608
Deposits	50,311	88,754	442,829
Advances	23,741	38,851	234,577
Contra-accounts	25,703	42,149	181,445
Total Balance-sheet	78,222	133,288	653,582
Net profit	322	908	2,215

(figures in thousands of Kuwaiti Dinars)  
1KD = 2.80 US \$ End 1969 - 1KD = 3. US \$ End 1972  
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**MARINE MIDLAND BANK** All figures as of December 31, 1972.







# How electronics pose two-way test of honesty

BY MICHAEL DIXON

IT COMES in a spruce pigskin case measuring about three feet by two feet by nine inches, and weighing some 25 lb. You could buy it for around £4,000.

It is evidently the latest word in the detectors. And Communication Control Systems of the U.S., which is to introduce the Voice Stress Analyzer to the

British market at a London seminar next Tuesday, expects it to find growing use not only in criminal investigations, but also in more normal inquiries including job interviews.

The new machine does not have to be wired to the person being tested, as do the earlier devices which rely on physiological factors such as skin reaction to measure a human being's relative agitation when answering particular questions.

All you do is record the person's replies, either directly on the VSA or on a standard cassette tape recorder for analysis later.

Now do you need a trained specialist to interpret the machine's judgments. A normally intelligent person can built up considerable stress apparently learn in a single day to operate the VSA, which throws up a running commentary of its findings on a built-in display and at the touch of a button prints any required reading on a paper tape for the subsequent study.

When I went to see the device

the other day, I was looking forward to taking it on. My only doubt was whether, if I managed to deceive it, I would be wise to tell anybody.

But Communication Control Systems declined to give me a personal trial. The reason, they said, was that "this is not a toy."

Correct use should ideally start with a pre-test interview designed to assuage any incidental causes of stress which might affect the subject's answers to the interviewer's inquiries. Then the subject should be handed a written list of the questions to be asked, for study before they are posed verbally and recorded along with the verbal replies for the analysis.

## Stress

The idea is that the subject will see beforehand when there are questions which he or she will be anxious about answering. By the time these are put verbally, the person will have built up considerable stress apparently learn in a single day to operate the VSA, which

throws up a running commentary of its findings on a built-in display and at the touch of a button prints any required reading on a paper tape for the subsequent study.

The change, although inaudible to human beings, is detected and measured by the electronic VSA.

It makes the measurement against a standard which is set for each subject by first asking control questions—like "Is your name Nathan Leatherbarrow?"—and adjusting the device so that it measures the necessarily truthful answers within a low range of scores, say 15 to 35, on the digital display.

When the questioning becomes investigatory, the stress which is associated with lying will be shown by a markedly higher reading of, say, 45 upwards.

Given that the list of questions will test the same point in several ways, the company says that consistently high readings for answers on that point may be taken as at least *prima facie* evidence that the subject is lying about it.

Now, I have shown the foregoing description of the SA to three other people. In every case their initial reaction was much the same as my own. They felt it would be wrong to use such a device in everyday procedures such as job interviews. But they were unable immediately to say why.

After all, one can hardly object on simple moral grounds to people's having an electronically sharpened judgment

## Theories

When decisions are to be made about other human beings, I think that nobody should rely on the judgments of a machine without first knowing beyond reasonable doubt why the machine is reliable. That implies understanding of the pros and cons of the electronic and behavioural theories on which the VSA is based.

The fact that irrefutably qualified experts believe in these theories is surely enough to justify a layperson in relying on the device. For example, common sense indicates that one can often find it more stressful to admit some discomfiting truth than to tell

a lie. Unless the user can personally understand how the machine is able to distinguish between the possibly different causes of the vocal stress measured on the digital display, its use can hardly be justified.

To my mind, the only substitute for this detailed understanding as a basis for using the device, is for the potential user to undergo a personal test and see for himself whether the machine can detect the lies sprinkled among his answers.

The fact that the machine had worked with adequate accuracy in one's own case would, I think, be sufficient practical grounds for taking into account its judgment of others. But there is a problem.

As the company said, the VSA is not a toy. Even the experts would not rely on it, I was told, unless the test questions were inquiring into matters which the subject might really be anxious to keep secret. So a personal test is certainly not something that could be carried out in public at next week's seminar in the Inn on the Park.

Indeed, seeing the sort of issues that had to be inquired about, even a keen potential buyer might have qualms about being tested in private. But without undergoing a personal examination, nobody who lacks detailed understanding of the device and its theoretical basis

would not only increase the risk of unreliable findings—from what the company told me its claims of accuracy are based on the frank and open use of the machine as outlined earlier. Clandestine application would also be morally reprehensible. It seems to me an absolutely necessary condition of honest reliance on such a machine that the user would be willing to change roles with the subject and submit to a similar test vice versa. Integrity begins at home.

The best fate that I would wish anyone who used this or any similar machine under cover, is that it would show every subject to be lying about everything. Clandestine users could not then avoid looking in their own character for the reasons why they were not being told the truth.

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## RESEARCH

### Could replace the liquid crystal

DEVELOPED to the prototype stage at Laboratoire d'Electronique et de Technologie de l'Informatique (LETI) is an alpha-numeric display system that could compete with liquid crystals for use in measuring instruments, clocks and watches.

Although details have not been released about probable cost—it is described as "low"—the display, which works on electrolytic principles, suffers from very little loss of contrast with increased viewing angle from the normal, can operate over a temperature range of -25 to +60 deg C, and requires only one volt for operation.

It consists of a sandwich of two thin sheets of glass separated by a few hundred microns of electrolyte consisting of silver and sodium iodides in organic solvents. The underside of the top sheet is the active electrode and consists of a thin film of conducting oxide laid down in the shape of seven segment character bars. The other electrode is a thin layer of silver.

An interesting characteristic of

the cell is that within 200 milliseconds of the application of a negative voltage to any of the defined areas on the top electrode sufficient silver is deposited by electrolytic action to give a 50 per cent light transmission reduction. The character appears as a deep reddish brown on a light background. After this, the voltage can be removed and the character remains. Application of a positive voltage results in erasure in about the same time.

A drawback is that there is no threshold effect (silver starts to be laid down as soon as the voltage is applied) so that the device cannot be multiplexed. The memory effect is also of limited duration so that driving circuits must be able to erase and re-enter the data, if necessary, at the end of this period. Power consumption for ten minutes character life is in the hundreds of microwatts region and devices have been successfully cycled ten million times.

More from the company at CEN-G 85X, 38041 Grenoble Cedex, France.

## PROCESSES

### Pictures will stay sharp

ALTHOUGH intended primarily for use with its new series of Litex matched films and processing solutions, Agfa-Gevaert's Resox system which is intended to keep lith processing absolutely stable, is applicable to other lith films and is thus "open".

The lith process, which is an essential part of the work in plate-making, particularly for high-quality magazines, is highly sensitive to exhaustion as the films pass through the chemical bath, and to oxidation, simply through the exposure of the bath liquids to the air.

Resox has been designed to provide two separate streams of replenisher—one to counteract exhaustion and one to offset oxidation.

Thus, one replenisher operates at a rate dictated by the area

of film passing through the bath in a given time while the other operates by adding small doses every 20 minutes. This means a lith system can be left for considerable periods unattended and the solution's strength will be accurately maintained ready for further work, without fuss or bother.

Daily check routines are simple and adjustment to controls immediate and the company claims that dot sharpness will remain the same months after pouring fresh solution into the machine. These claims are backed by some 18 months of practical trials.

Further data on the process and the Litex film series from Agfa-Gevaert, 27 Great West Road, Brentford, Middlesex. Tel: 890 2131.



## TRANSPORT

### Link-up at Leyland

CLOSER INTEGRATION of British Leyland Cars' operations at its 35 UK plants is being brought about by a new £1.4m computer data centre at Redditch, Worcestershire.

This is already saving £1.5m a year on expenditure at three original centres, despite the £3.9m annual operating costs including leasing computer time in Washington and Toronto.

In addition to more ordinary functions, the system, among the most advanced in Europe, is being used for monitoring warranty claims and customers' service documentation, preparing engineering manuals, and supervising quality.

Linked to the GPO Viewdata system, as is proposed, it could be used in factories to provide "electronic" notice boards.

At the Swindon body pressing plant, an in-factory installation produces a record of strain values which determine the quality of pressings and indicates malfunction when they fall outside parameters. It enables a foreman, who may be attending a worker participation or management meeting to be "bleeped" to warn him a repair is necessary.

Redditch is linked to this system and can, if necessary, bleep the foreman direct if its monitoring arrangement provides the necessary information. But its main function is to produce work schedules for Swindon. In due course, the system will be extended to other body plants like Castle

Bromwich in Birmingham. At present, Redditch is linked to 22 factories and by the end of the year will be operating at all 35.

The system is also being used to build up the engineering details of the new LC-8 Mini to be made at Birmingham. About 5,500 different parts, tools and equipment are required for this £250m project and the correct sequencing of supplies is being computerised so that the complex business of bringing them all together in the right place at the right time can be simplified. By the end of this year, the full complement of large computer equipment installed at the centre will be one IBM 3033, two IBM 370/1585 and two IBM 370/1485 with two and one megabyte respectively.

An ICL installation is also scheduled for the parts operation at Cowley, Oxford.

PETER CARTWRIGHT

## COMPUTING

### Long arm of the machine

MAGISTRATE'S courts in Stockport and in Gwent are among the first to use ICL's new computer package specially designed to ease the administrative work load involved.

At Gwent the system will run on a newly ordered 2803 computer backed by five 7503 terminal processors and a pair of 7181 visual display terminals. Stockport magistrate's court will make use of a 1904A operated by the Stockport Metropolitan District Council and the court staff will gain access via three 7561 VDUs installed at the court and linked through a terminal processor to the main computer by phone lines. Gwent will have similar links between magistrate's clerks offices in Newport and elsewhere in the 2903.

Using the terminals police officers will send information about defendants and cases to the court's data bank held on the 2903. Summonses will then be produced and also supplementary documents such as warrants, court orders or other documents to court.

As the date of the hearing approaches the system is programmed to produce two versions of the court list for the day: a short one for the magistrates, court usher and public and a full version which will form the court register.

After the hearing the sentence passed, if any, will be entered into the data bank via a terminal and the computer will then print notifications of fines, court orders and licence disqualifications or endorsement notifications. Statistical reports are also provided covering numbers and types of cases.

If money has to be paid the system will handle the accounting functions and take automatic follow-up action on unpaid sums or on court orders by producing reminder letters, summonses and warrants. ICL is on 01-788 7272.

## Aid for the legal profession

LEGAL computing takes a step forward this month with the formation of Oyez Computers, a Solicitors' Law Stationery Society group. This brings together the computer division pointer moving across a scale of Oyez Services, which offers legal, accountants and commercial house Lane, Marlow, Bucks. (06284 72722).

The rings, each individually and accurately calibrated to register the moisture levels of the various crops grown, are also 13 years has brought widespread acceptance of the benefits of the effect of different standard oven-drying methods on crops.

Because official methods of the British feeding industry and intervention (EC) standard) can give differing moisture content for a particular sample of grain by up to 1 per cent, the SLSS introduced computing to company says that this potentially complex and confusing situation can now be eliminated by the use of the Grain Moisture Analyser (GMA) 11 system, and it should be impossible to confuse scales for different grains as only one can be used on the instrument at a time.

Culmination of the company's work in the legal sphere—still the largest market—was the recent introduction of on-line legal accounting, with an option for solicitors to take new services over the same equipment as they are developed.

Oyez Computers, 237 Long Lane, London SE1 4PU. 01-405 8056.

## WELDING

### Portable machine

DESIGNED FOR professional and semi-professional use in a tough yet portable electric arc welding unit from Campling Ltd International, 126 St. Leonards Road, Windsor, Berkshire (Windsor 55011).

Called the Ektra 320, it has a three-phase output, 50, 75 and 105 amps, and will use electrodes from 1.6 to 3.2mm. It measures 73 inches by 121 inches by 81 inches.

The face mask and scaling hammer are supplied complete with the unit and the electrodes sold separately.

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

## LOVELL

for construction  
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## ELECTRONICS

### Integrated security

CENTRALISED control of a number of security and communications systems installed in an industrial or commercial complex is offered by Jørgen Andersen Ingeniørfirma with the Video Guard system.

Using a tone signal, the communications—line between the parts of the system—some alarm sensors (infrared, microwave, door contacts, telephone devices etc.) can be connected together with light, sound inputs. Alarm sensors and cameras can be reprogrammed for example, an activated sensor can cause a nearby camera to point in a pre-determined direction. Or, three alarm sensors could be related to three pre-set camera positions. Most of the time, however, the cameras would be automatically sequenced to produce images on one or other of the two monitor screens built into the console, with adjustable focus, zoom, pan and tilt. Then, if an emergency occurs, and there is a need for more cameras or more priorities can be preset, the most vital areas would be looked at first.

An audio communications network can also be controlled from the panel so that personnel can be alerted to key positions in the building.

The status of all the devices used in the system are shown with light emitting diode lamps. The Danish company claims that the bus-oriented construction and the modularity of the equipment makes it possible to tailor a system to suit most customers.

More from ISA, Bridge Street, Caversham, Reading, RG4 8AA, Berkshire (0734 475936).

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## Highlights from the Balance Sheet as at December 31st, 1977

Assets	(in DM 000)	Liabilities	(in DM 000)
Cash	837.7	Due to banks	13,606.9
Bills	364.8	Other creditors	5,961.7
Due from banks	11,125.1	Outstanding debentures	22,970.1
Treasury bills and other securities	4,744.0	Loans on a trust basis	
Due from customers	26,769.9	at third-party risk	6,734.3
Loans on a trust basis		Provisions	252.5
at third-party risk	6,734.3	Nominal capital	550.0
Trade investments	389.8	Declared reserves	1,077.0
Land and buildings	240.4	Profit	47.3
Other assets	959.3	Other liabilities	1,145.0
Assets of Landesbausparkasse	6,042.3	Liabilities of	
(Building and Loan Association)		Landesbausparkasse	5,852.8
		(Building and Loan Association)	
Total	58,207.6	Total	58,207.6



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EARLY IN 1977, senior management at Courtaulds, one of Britain's biggest textiles and fibre groups, became aware that the company could not continue on its existing course indefinitely. Its liquidity was being "crucified" by the impact of inflation on a high-volume business suffering from cyclically low profit margins.

However, the group's report and accounts published today highlight a remarkable turnaround in liquidity in the 1977-1978 financial year. Despite a marked fall in profits from £80.9m to £53.7m pre-tax, group net cash resources rose during the year by over £30m. That such an improvement could be achieved seemed unlikely even 12 months ago.

Early in 1977 the group's annual turnover was running at £1.1bn a year, and its inventories exceeded £400m—the equivalent of nearly 28 per cent of sales. Assuming inflation at 12 per cent, Courtaulds needed a pre-tax margin of 3.3 per cent on sales merely to finance higher stock values. In fact, profit margins in the year just ended were to work out at only 3.4 per cent.

To make matters worse, the volume of stocks had been rising as demand for textiles fell. In classic counter-cyclical fashion, Courtaulds had not cut back its production in line with demand, on the assumption that—as in the past—there would be major cost advantages in carrying high stock levels at the beginning of a recovery. In 1974, when the previous boom peaked, stocks were down to about 11 weeks of sales whereas by 1976 they were up to the equivalent of 14 weeks.

But 1977 was the year that something went wrong with the textile cycle. On previous form it should have marked the second and probably the strongest leg of an upturn.

Richard Lambert on the measures taken by one of Britain's largest fibres groups to avoid a liquidity crisis

## How Courtaulds kept the inflationary wolf at bay

Instead the recovery, which had started to emerge in 1976, petered out and demand around the world slid away through most of the year.

Whereas profits were running at about half their previous peak levels, the group's stocks had risen by roughly £200m in value since 1974 and net cash resources—which had reached a high point of nearly £150m—were almost disappearing.

Management decided on three main courses of action. The first was to establish a two-tier system of interest charges on the working capital held by the operating companies. A low rate was levied on each company on that proportion of its working capital which was equivalent to the amount it held a few years earlier. A different and substantially higher rate was charged on the rest.

Obviously this meant that companies were being judged in an arbitrary and, in some cases, unfair manner by head office. But it concentrated attention on the cost of inflation and the urgent need to reduce stocks.

Next, Courtaulds devised a formula to penalise spending proposals which had a high working capital element. Effect-

tively it concluded that the UK in the autumn. It caused, recalls deputy chairman, Mr. Norman Smith, "quite a turmoil."

If a manager failed to pass the test in any area, he was required to show what steps he could take to retrieve the position within a given period of time. Typically these would include destocking, different pricing, or a change in the sales emphasis. If he was unable to show how this could be done, then the next step would be for central management to consider shutting down the product, the unit, or even an entire operation.

The idea was that in order to be viable, a product needed to generate enough cash to cover the effect of inflation on working capital tied up in it, together with the minimum capital spending required to keep it in operation, and its share of group financing charges.

These separate criteria were then defined in terms of a single cash margin. For instance, if a product's working capital was turned over four times a year and inflation was running at 12 per cent, then that part of the margin needed to cover inflation would be 3 per cent. The required cash margin was then compared with the actual return generated by each product and unit.

After a trial run in June,

the system was applied across decisions to take in the grey areas, where a business might have a very serious problem but still be worth supporting over the long-term. In a group composed of a large number of individual managements, it would have been fatal for Courtaulds to give the impression that it was prepared to cut off people's legs just to make them fit neatly into the picture. Mr. Smith is careful to point out that some products are still being produced which have not yet met their required margin.

There were other risks. It was important for middle management not to concentrate too much on short-term cash as against long-term profitability. A number of senior heavy finance directors among the operating companies started to incorporate the formula into their reporting systems. They were told firmly that this was a one-off project, once completed, that was it.

The achievement of the cash self-sufficiency exercise, says Mr. Smith, "is that it encouraged management to be prepared to sacrifice profit in conventional accounting terms for this year, in exchange for a real cash improvement. They would be loth to do this under the normal system of reporting, whereby they are assessed on profit performance."

But there were much harder

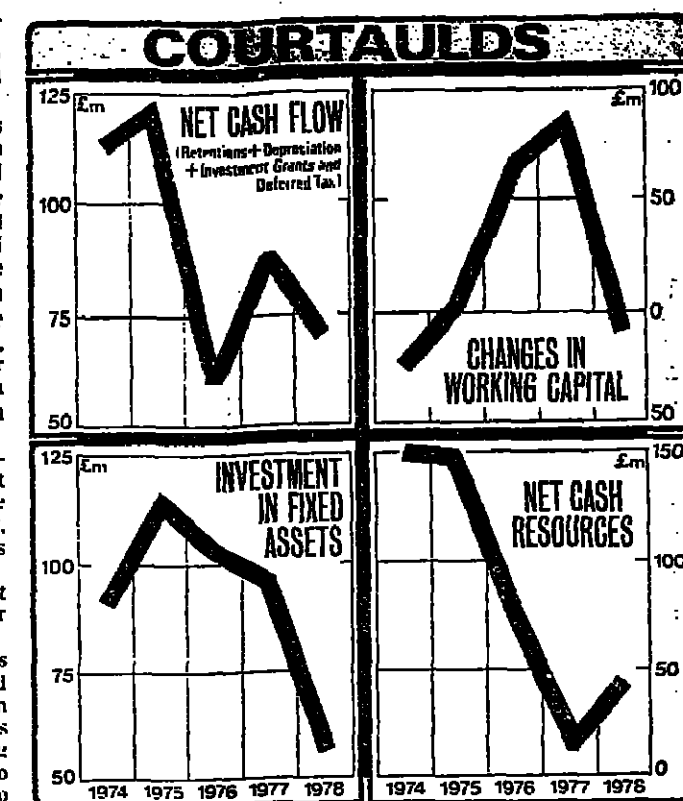
In financial terms, the results were dramatic. In a year when the group's costs were still running at a double figure rate of inflation, working capital fell by £9.2m. In 1974-77, it had jumped by £83.1m. In some product areas the contraction was even sharper. The volume of fabric stocks, for instance, was cut back by about 30 per cent, which translated into a fall of about a fifth in cash terms.

In the first half of the financial year, Courtaulds had a net cash outflow of £17m. In the second six months, by contrast, it generated a net cash surplus of nearly £30m.

This turnaround was not simply the result of tighter controls on working capital. In addition, the group's spending on fixed assets had been falling back sharply from the peak levels of the mid-1970s when a number of very big projects had come together to take the annual figure up to over £100m.

The Lancashire type spinning operations had been substantially re-equipped by 1974, and elsewhere the group had a number of very large new installations which as a result of the recession had never reached anything like their rated capacity. These include the Letterkenney polyester filament plant in the Republic of Ireland, the Campsie sheet and workwear factory in Northern Ireland, and the Belmont weaving shed in the North-East of England.

As a result, the capital spending screws could be tightened considerably without causing lasting damage to the group. In the preceding five years, investment in fixed assets amounted to £444m, far in excess of depreciation provisions totalling



£247m. In 1977-78, spending fell to £36m and was comfortably covered by an historic cost depreciation provision of £68m. Courtaulds has come through the recession so far in much better shape than most of its competitors. Whereas the European fibre industry as a whole probably lost more than £400m in 1977, fibres and yarns accounted for well over half the group's profits of £58m from fibres, textiles and related activities in 1977-78. One explanation is its commitment to the more buoyant cellulosic fibres as opposed to the heavily depressed polyester, nylon, and acrylic fibres. In addition its

balance sheet remains firmly based, despite the heavy cost of mismatched foreign exchange loans, and there is a comfortable margin of liquidity.

However for three years now the group has earned an inadequate return on its capital employed of over £800m. The trading outlook remains uncertain, and although there are indications of firmer demand coming from the retail end of the trade, Courtaulds has no intention of rebuilding its stocks in anticipation of market performance. Despite the big cash turnaround in 1977-78, management still has quite a few hurdles left to overcome.

## Circuit breakers: the short cut to fuse box safety

THE INCREASING enthusiasm of governments and international bodies for all aspects of safety is soon likely to force managers and householders to take another look at that much neglected piece of equipment: the main fuse box.

There is a dark basement or underneath the stairs, will be found an array of rewirable fuses which most people never see except by the light of a flickering candle. Now after many decades of service these fuses are probably nearing the end of their days.

Indeed the UK is one of the few developed countries where

the rewirable fuse is still widely tolerated. In France, Germany and the U.S. the more expensive circuit breaker has long ago taken over on grounds of convenience and safety.

In the last few years, it has been realised that circuit breakers can offer not merely convenience, but important safety factors which it is essential for companies—and desirable for householders—to understand.

Apart from the commonsense

need to make factories and offices as safe as possible, employers will have to consider the liability that could arise in the case of an accident. Even an accident caused by a faulty appliance or the incorrect wiring of a plug could rebound upon a company if its electrical installation were shown to be inadequate.

In the past it was generally considered that the ordinary fusing systems were all that was needed. Now, however, there are two types of circuit breaker available which offer different ways of additional protection. Perhaps the most important is the earth leakage circuit breaker (ELCB) which is fitted near the main fuse box and protects people throughout the house or office from the danger of electric shock. The second type, called a miniature circuit breaker (MCB) is a direct substitute for the ordinary rewirable fuse, and is plugged into the main fuse box, one for each circuit.

Both types of circuit-breaker will cut off the supply as soon as they detect a surge in the current caused by the short-circuiting of a live wire to earth. An MCB can also detect a slow overheating of the wires which could be caused by a fault not serious enough to blow a fuse. More important from the safety point of view is the ELCB, which will cut off the supply as soon as a person touches a live wire or a part of an appliance which has become accidentally electrified.

The ELCB can detect the fact that a small amount of current is escaping to earth and can therefore give protection, which is impossible with an ordinary fuse.

The extra safety which it gives to a whole circuit has already been recognised by breweries, for example, who generally insist that sockets in damp places like pub cellars should be protected by an ELCB. Although the cost, at around £20, is much higher than that for an ordinary fuse it can only be a matter of time before trade unions and safety bodies insist that all electrical installations are protected in this way.

Although use of the ELCB cannot absolutely guarantee that people touching live wires will escape electrocution, it reduces the risk to minimal proportions. For this reason, it is likely that most international specifications will soon include a requirement for ELCB protection. In the UK local authorities are already insisting on their use in such places as old peoples' homes and student hostels.

### Business Books

**Corporate Development in the Middle East**, by Robert Nelson. Gye Publishing. Price: £15. This is directed at the senior executive whose company is either planning or undertaking business operations in the Middle East, and provides guidance on commercial law and practice.

**The Challenge of Management**, by Alan M. Glasman. Wiley/Hamilton. Price: £4.20. This is a textbook designed to supplement the learning experience in the introductory management and/or organisational behaviour course.

**Success in Law**, by Richard Bruce, John Murray. Price: £5.50. The general principles of English law are set out in this book in a way that relates theory to action and which shows its relevance not just to the individual but also to society as a whole.

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The prospect of a major faces stiff competition for the potentially more lucrative circuit breaker market from MEM and from MK, which is moving in from its strong position as a supplier of plugs and sockets.

Recently miniature circuit breakers costing a few pounds which plug directly into a 30 amp, 15 amp, or 5 amp fuse socket have become available from electrical retailers. About 10m are made in the UK each year, mainly for new buildings.

In the public sector, however, Mr. Roy McDowell, chairman and managing director of Scholes, is not planning to develop intruder alarms and other devices. Linked to the

main fuse box, they could deter burglars, for example, by switching lights on and off in sequence.

More immediately, it is moving into the industrial and commercial market for distribution systems with a new circuit-board in which the MCBs are pre-wired for the contractor. In this way the company hopes to increase acceptance of MCBs because contractors will not be concerned with any of the box's internal wiring.

This policy is an insurance measure against the inevitable decline of the domestic fuse box—the company's staple product at present.

Max Wilkinson

### The war that never ends



We British are a peaceful people. When a war is over we like to consign it to the history books—and forget it.

But for some the wars live on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children—for them their war lives on, every day and all day.

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Unless something is done now, our future could be in jeopardy.

This is why we are asking your board members or their charitable trust to consider whether they can help the Red Cross.

### The Red Cross

If you would like further information about the Red Cross, please don't hesitate to get in touch with Derek Barson, Director General, The British Red Cross Society, 9 Grosvenor Crescent, London SW1X 7EL

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To: Peter Waring, Industrial Officer,  
Tyne and Wear County Council, Sandford House,  
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## FINANCIAL TIMES

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## Money and wages

THE LATEST earnings survey shows that in the economy as a whole earnings are now 12½ per cent higher than a year ago, while in the production industries which used to be the basis of the survey the increase is 15 per cent. This divergence is a sharp reminder of what almost invariably happens during a period of relatively rapid growth.

This is a slightly disappointing result of a 10 per cent norm, but hardly an unexpected one: the outcome for earnings in the whole economy could still be in line with forecast at 14 per cent or 15 per cent for the whole year, with production earnings perhaps a point higher. It is clear, though, that only a very sharp slowdown in earnings will keep costs in line with current inflation rates, let alone a further reduction in inflation; but it cannot be taken for granted.

## Confidence

This conjuncture, which has been seen during the preparatory talking about the next wage round in each of the last two summers, is naturally hard for financial confidence: investors understandably want to wait and see. The point is made with some force in the latest quarterly bulletin from the Bank of England: and when the Bank argues that prospects for growth and real incomes as well as for inflation will be greatly improved if there is a moderate outcome, few will be inclined to argue.

However, there is one point missing from the Bank's analysis. It might be expected that the national monetary authority, responsible for seeing that monetary growth is kept within the official 8-12 per cent range, would offer a further and powerful warning: a sharp rise in costs would immediately put a strain on the available sources of credit, with a sharp rise in interest rates and an equally sharp fall in investment. This admittedly harsh and destructive mechanism is the means by which monetary restraint ensures that inflationary demands in the economy are rationally self-defeating; and it is the general understanding of these consequences which gives trade union leaders a strong and positive interest in a rational level of settlements.

## No movement on the West Bank

THE ISRAELI response to American questions about the future in five years time of the West Bank and Gaza Strip has not been as forthcoming and precise as it might have been. In one unfortunate sense this is no surprise because Mr. Menachem Begin, Israel's Prime Minister, is known to have strong views on these occupied areas and their Palestinian inhabitants. At the same time, the statement was bound to be vague because of divisions in the cabinet.

It was not unexpected that the four members of the Democratic Movement for Change, which has in general been opposed to Mr. Begin's policy on settlements in the occupied Arab territories, would not vote in favour of the statement. It was far more serious, however, that Mr. Ezer Weizman, the Defence Minister, a key man in preserving some semblance of a dialogue with Egypt, and one tipped as a possible successor to Mr. Begin, should not be able to support the announcement. This Mr. Begin got his majority—but only 14 out of 19 ministers—and avoided the indignity of defeat on a key issue.

## Out of touch

Mr. Begin comes across as being out of touch with three groups of people in particular with a deep interest in peace in the Middle East. This stems in part from the historical peculiarity of Mr. Begin's position. After nearly three decades in opposition, and a troubled and painful past first in Europe and then in Palestine, Mr. Begin is acutely aware of the opportunity thrust on him of being the leader who could bring final peace to Israel. But as strong is his immersion in Jewish history which makes him reluctant to be the politician who signs away the historical homelands of Judea and Samaria (the West Bank).

Apart from members of his own cabinet, the first group Mr. Begin seems out of touch with is the Israeli public. The most

## New York challenges London



NEW YORK has just sent ripples through the insurance industry—and beyond it too—with the announcement of a move to set up its own equivalent of Lloyds of London, paying that institution the compliment of copying it, but at the same time facing it with the threat of competition. A bill backed by Governor Hugh Carey proposing amendments to New York insurance law is currently before the State Assembly, and all the signs are that it will be passed before the summer is out, enabling a Lloyds of New York to open in about a year from now.

The real Lloyds has reacted cautiously, preferring to withhold any assessment of what it all means until the Bill emerges from the committees writing the fine print. Privately, Lloyds underwriters have pooh-poohed any suggestion of a threat to their unquestioned dominance of the world insurance field. Their view is to some extent shared by New York insurance people who have calculated that the volume of business handled by a Lloyds of New York would be tiny—initially at any rate.

The Bill has earned powerful political backing because its sponsors claim it will bring more business, and therefore jobs and capital, to New York. Moreover, Governor Carey comes up for re-election in the autumn, and every little bit helps. However, the Bill is only one part of a broad move here to reform American insurance law, which is considered un-

## INSURANCE

BY DAVID LASCELLES

necessarily restrictive. One of the big arguments marshalled by the reformers is that Lloyds enjoys a share of the world insurance market out of all proportion to Britain's own role in it. They also say that the way things work at the moment, insurance is a drain on the U.S. balance of payments because so much business goes to Lloyds. The clinching argument is that Lloyds operates a restrictive membership policy that makes it difficult for outside brokers to get a fair share of the business. The fact that two major U.S. brokers were recently barred from acquiring a major interest in Lloyds brokerage has demonstrated this.

The U.S. property-casualty insurance industry has historically been tightly controlled at state level. Only licensed or "admitted" insurers may conduct business, and the State insurance superintendent must approve all their premiums and policies. That makes it difficult

for companies to handle anything but routine insurance, and as a result "one-off" policies or those needing a very quick response are hard to place. However the rules do say that anyone who has been turned down by admitted insurance companies may place his business in "surplus line" market, which is unregulated, but also unprotected by state guarantees.

The rules in New York are particularly severe, which has forced a lot of insurance companies, including reinsurance companies, out into neighbouring states, creating fears that the industry in New York could in the long run become undercapitalised.

Towards the end of last year, the New York State Commerce Department got together with a New York insurance consultant, Mr. Donald Kramer, to see what could be done. Mr. Kramer, himself a name at Lloyds, came up with a proposal to create a New York insurance exchange closely modelled on Lloyds with the express idea of attracting more capital into the business and restraining the flight of insurance abroad.

This was then worded as a Bill and introduced into the State Assembly last spring.

Mr. Kramer's blueprint drew on all the main features of Lloyds including a trading floor where syndicates of brokers and underwriters can conduct in a favourable passage. This is unlikely, however, to be the fate of the plan to establish in New York what has variously been described as a "banking free zone", a "foreign banking window" or "domestic international banking facilities" (DIBF). In essence a DIBF would be a New York branch of a U.S. bank which could borrow or accept deposits only from non-U.S. residents and which could make loans only to non-residents for use outside the U.S.

Not surprisingly there is considerable enthusiasm for the plan among New York banks which would be able to reduce the operating costs of their foreign branches and control their overseas operations more effectively. Billed as the most efficient means of recapturing New York's former glory as the world's primary banking centre, the plan offers a boost for local prestige and its sponsors claim a "minimum" increase in local employment of 3,000 jobs. Because it would incur no direct cost to the City or State, the plan's popularity with the state legislature is guaranteed, and enabling legislation has been recently passed which now awaits the signature of the Governor.

But support of local politicians and bank regulators has never really been in doubt. Real concern, however, focuses on the attitude of the Federal Reserve Board in Washington whose towering responsibilities cover a great deal more than restoring a City's faded fortunes. The fragmented indications are that the Fed believes it will have some difficulty reconciling its responsibilities for monetary management and for the health of the U.S. banking system with the establishment of DIBF in New York.

It has not yet received a formal proposal (this will be delivered after Governor Carey signs the New York Bill in the next few weeks) and will admit only that its staff is making a preliminary investigation. But the few public comments made by individual governors of the federal reserve system, notably Mr. Henry Wallich and Mr. Paul Caldwell, have laid heavy

stress on the problems which a DIBF could create. Most particularly they are worried about being able to prevent abuses which might complicate control and management of the money supply. They appear unconvinced that dollars which supposedly are circulating outside the U.S. would not "leak" back into the domestic economy through the New York banking window. Bankers generally agree that there is some incidence of this through existing offshore operations, and they also concede that the Fed fears that this might happen on a much larger scale.

Supporters of DIBF say they do not understand why this

vision that New York insurance leaders have of the exchange is best summed up by Mr. John Regan, head of Marsh and McLennan, one of the country's principal broking firms. In a recent speech, he said: "Lloyds currently is the world's only central marketplace for reinsurance and for exceptional and difficult-to-place risks. No comparable market exists in this country even though more than 50 per cent of worldwide insurance premiums are produced in the U.S. compared with less than 5 per cent in Great Britain. Lloyds' greatest growth and over half of its premium income emanates from this country."

"The New York reinsurance exchange would provide an alternative to Lloyds that would help satisfy the need for additional capacity for reinsurance and special risks. It would also contribute to the repatriation of insurance business that is currently leaving New York and the U.S."

Observers here point out that whatever a local Lloyds going ahead, again pointing to changes of success may be, it is only one of several changes that are afoot. Along with the Lloyds Bill in the State Assembly is a twin Bill to create a "free trade zone" for insurance in the city. Again, the idea is to find some way out of the choking tangle of regulations, particularly for insurance, not directly affecting the consumer.

If the zone is created—and early passage of the Bill is expected, thanks to its strong political backing—it would regulate large risks (\$100,000 premium and more) and specialised or hard-to-place risks in the New York insurance market.

Mr. Hank Greenberg, long a supporter of this scheme, argues that it would bring benefits similar to those for which the Lloyds idea is being promoted: it would give a much needed spur to the insurance industry, world insurance market, rather than to the city too, than specific grievances can be deployed in competition with the many foreign banks which are not subject to reserve requirements by their own central banks. So one key question for the Fed is whether it should waive "D" for international deposits at a New York bank's DIBF.

The second question is the amending of regulation "Q" which restricts the rates of interest which reserve system banks may pay on deposits at their domestic branches. In particular the New York banks would want the prohibition lifted on payment of interest on DIBF deposits with maturities of less than 90 days.

The New York State legislature has already removed a further obstacle by passing legislation which would free future DIBF operations from state and city taxes. Implementation of the legislation is conditional on the Fed paying the way for setting up the banking free trade zone in New York. The result would be to lower the tax burden on New York banks from the current 61.4 per cent (combined federal and city tax rate). This compares with 53 per cent in London, 48 per cent in Grand Cayman Island, and 20 per cent in Bahrain.

No one can say with certainty how long it will be before the Fed pronounces on the issue, but nothing firm is expected inside a year, not least because the Fed is at present grappling with the complex process of tightening the regulation of U.S. banks' foreign operations. The City of London should be watching closely, but not yet losing any sleep about a possible renaissance of international banking in New York.

## BANKING

BY JOHN WYLES

stress on the problems which a DIBF could create. Most particularly they are worried about being able to prevent abuses which might complicate control and management of the money supply. They appear unconvinced that dollars which supposedly are circulating outside the U.S. would not "leak" back into the domestic economy through the New York banking window. Bankers generally agree that there is some incidence of this through existing offshore operations, and they also concede that the Fed fears that this might happen on a much larger scale.

Supporters of DIBF say they do not understand why this

## MEN AND MATTERS

## Robins over the water

With not a leaf or twig to hoist about, the oil platforms far out in the North Sea hardly appear a bird's natural haven. Yet over 60 separate species, ranging from the Barred Tailed Godwit to the Short Eared Owl, have been spotted from the four platforms in BP's Forties Field. Amateur bird watchers working on them for BP had been expecting to see a wide range of seabirds such as gulls and auks, petrels and ducks. But they have also been startled to spot ten types of waders, including golden plovers, snipe and woodcock. Five separate birds of prey have also hovered around the helicopter pads. But the most surprising guests have been 28 different species more usually associated with hedgerows and woodlands. These include that rarity of rarities, the Richards Pipit, and Britain's smallest bird, the Goldcrest—as well as the more common robins and blackbirds.

The Royal Society for the Protection of Birds tells me that the platforms, 110 miles east-north-east of Aberdeen, are on the "flyways" of the waders as they migrate between Arctic Russia and Scandinavia and Britain's East Coast. As for the birds of prey, such as owls and sparrow-hawks, these, I learn, have periodic "eruptions" that is when "good breeding seasons" are followed by shortages of food which drive them to hunt elsewhere.

When I asked what birds were regarded as essentially stay-at-homes were going about the platforms, the RSPB said: "More migrate than you think." BP's tales of weary carrier pigeons landing for rest on the platforms led me to ask whether the birds benefited from such man-made islands but its answer was a rather curt negative. Birds know how to handle long dis-

stances. I was told, and are able to roost rather than roost because of the 50-foot gas flares—particularly when clouds cover the stars and the birds' celestial navigation is out of synchronisation.

The RSPB says 2m seabirds breed around the North Sea and disperse to as far away as South America. "It would have been a wildlife disaster if the Ekofisk blowout in April 1977 had occurred in late summer, when all the birds were about."

## Earthy life

Last week I reported how the French are becoming a nation of gardeners and avidly buying British lawnmowers and hedge-clippers. (The news is, incidentally, that in order-book terms the gardening exhibition in our Paris embassy was "a great success.") As if to underline the trend, a well-known French merchant banker, Robert Mallet, has announced that he is quitting his office desk—to become a commercial gardener. At the age of 34, Mallet is leaving Paris for Dieppe to run "Le parc floral des Moulins"—stocked with

rare rhododendrons and azaleas. Passengers arriving at Dieppe by ferry from England can see the rhododendrons, making a vast colourful sweep down to the sea just south of the town. In the gardens is a house designed by Lutyens, and the French Government has classified the place as an historic monument. Mallet inherited the gardens from his grandfather, who founded the merchant banking firm of Neufville, Schlumberger, Mallet. The ex-director hopes to open his new venture in a few weeks, with a garden centre and craft shop. "I can't say that I ever liked banking," he says. "But I hope I shall sell enough plants to show I still have some of the family financial acumen."

## Film fans

Bureaucrats and parliamentarians from all over Europe gathered in Lisbon last week for a symposium on the relationships between film industries and governments. Taxpayers will be glad to know that the talking was of a suitably earnest and high-minded nature. The one element that seemed to be missing was an actual film, so the Portuguese hosts provided that by inviting the 150 delegates to see a new prize-winning work about their country called "Tras-os-Montes". Three delegates turned up—two British and one Turk—plus the film's director, who stared at the vast emptiness of the cinema in Lisbon's national library in deep dismay.

One of the two British delegates who did see the film was James Quinn, chairman of the National Panel for Film Festivals. At the next morning's assembly Quinn stood up and blasted the delegates for discourtesy. The parliamentarians excused themselves by saying they had been invited to a

dinner. The bureaucrats said nothing. When I spoke to Quinn yesterday he was still fuming. "When you are talking about horses, you should at least look at the stables occasionally," he remarked.

## Talking big

As Yugoslavia awaits a valedictory speech from 86-year-old President Tito at the 11th Congress of the ruling League of Communists opening today in Belgrade, the cafes are alive with political jokes. Perhaps the best concerns Mirko, an old-line Stalinist, who decides that instead of going west, he will go to the Soviet Union in search of work. The first letter comes back to his friends. "This place is awful," he writes. "I earn 100 roubles a week, but a fried chicken alone costs eight roubles."

Mirko is soon afterwards visited by the KGB, which warns him of the possible consequences of slandering the Socialist motherland. So in his next letter Mirko writes: "Everything is wonderful here. I earn 100 roubles a week and I can buy a whole fried elephant for a mere six roubles. If you don't happen to like fried elephants, you can always add another two roubles and get a fried chicken."

## Get plugged in

Readers may care to keep abreast of the new terminology of work. Yesterday I telephoned a Southern Electricity Board office to ask why a man had failed to appear to join up some wires last Friday. "He must have been over-programmed for that day," said a female voice. "You mean he was too busy?" I asked. "Yes. We shall re-programme the work for Tuesday."

Observer

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# Shades of things to come

**FORECASTING COLOURS** for the fashion industry is a high risk multi-million-pound business—the only certainty is that the Norwegians and the Japanese never wear purple.

The Japanese eschew the shade because it is an imperial colour: the hard line attitude of the Norwegians is more difficult to explain but presumably they find that purple does not suit them.

Such well documented national idiosyncrasies provide comfort for the UK textile and fashion industries. The chief danger to their profits lies not in producing too much fabric of the wrong colour—though that is a risk—but in failing to stockpile enough material of the right colour.

Marks and Spencer, for example, does not have racks of unsold dresses, skirts and shirts in its stores. Yet the company says that if it can meet demand for a newly fashionable colour it can increase turnover by as much as 15 per cent. That could mean an extra £3m worth of sales in a single section of the company. By the same token, a mistake in colour forecasting can lead to a huge loss of potential sales.

It is estimated that about 60 per cent of all textiles manufactured in the UK are made up into clothes with roughly 15 per cent of the clothing industry's total output aimed at the high fashion end of the market where sales are heavily influenced by colour. This means that in any given year sales of approximately 200m square metres of fabric—worth in excess of £300m—would be at risk if the forecasts of colour experts proved to be wildly out.

In practice, colour forecasts for women's clothes are largely based on the shades that sold well in the preceding year and

this introduces some measure of certainty into the colour business. The entire industry, from yarn spinners to retailers, also does its best to achieve a broad consensus on fashion colours for the coming seasons and this is done on an international as well as a national basis. In some ways colour forecasting is a decidedly cautious and evolutionary process.

Today the public expects to be able to choose from a wide variety of shades and designs. On the other hand people cannot afford to buy themselves completely new wardrobes every year so they also demand a degree of continuity. The forecasts therefore have to come up with colours that will complement those worn 12 months previously while still being different enough to tempt customers into buying. And colour can tempt them. Marks and Spencer says it is the single most important selling point for clothes.

## Initial cards

Work on colours and fabrics for a spring-summer or autumn-winter season of women's wear begins two years beforehand. Colour consultants, whether they work for big textile manufacturing concerns or for free-lance organisations, have to take into account a wide range of factors when designing their initial colour cards.

Their first task is to look back over the two preceding seasons to see which colours sold well and to try to identify coming trends. It is thought most high fashion colours have a sales life of about three years, beginning often in a small way, reaching a peak in year two and then tailing off. The job of the forecasters is to assess how much vitality is left in the shades that

are already popular and to decide which of the new, up and coming colours is ripe for further exploitation.

Two important factors they have to consider are fabric trends and the shape of clothes to come. Softer outlines may call for light, delicate materials and pastel colours while a more tailored look is likely to require heavier fabrics and deeper shades. Judgments in this area are considerably complicated by the fact that textiles are constantly changing in response to the whim of fashion and the advance of technology.

For example, A. R. Beckman, a highly successful converter company—converters are the middle men who buy in grey cloth, have it dyed and priced and then sell it to the garment makers—reckons that about one-third of the fabrics in its range change completely every two years as some materials are phased out and others replace them. Beckman normally has a range of 30 to 35 cloths; so between ten and a dozen of them are involved in the biennial cycle at any one time.

This year the company's range includes 100 per cent cotton muslin which has sold well although from Beckman's viewpoint this particular material "didn't exist a year ago." At the same time the organisation reports that 100 per cent viscose moss crepe, once extremely popular, has now "fallen by the wayside."

The reason changing textile trends are so important to forecasters is that they have a strong influence on clothes design and therefore on colour. Some materials also look much better in certain colours than others. For example, velvet has far more appeal when it comes in rich, dark colours than when

it has been dyed mauve or yellow.

In addition to fabric trends and overall dress design there are often a number of maverick influences which can have a considerable impact on final sales figures and which colour forecasters have to take into account. For example, punk rock, with its vivid kitsch colours is now filtering through to the general public in a modified form—last month the National Association of Scottish Woollen Manufacturers said its fabric collection for next year's spring-summer season would include "flashes of neon colour such as fuchsia pink and electric blue."

## Experts

Once individual colour experts have completed work on their initial shade ranges, those working for the larger manufacturers and for the better established consultancies take their ideas to the British Textile Colour Group. This is where suggestions are discussed and hardened up or rejected.

It is also where a British colour card, showing agreed shades for the coming season, is produced. The British Textile Colour Group was formed in 1976 at the instigation of Deryck Healey International, a colour consultancy. It is the successor of the British Colour Council which lasted from 1931 to 1974 when it proved too unwieldy a body to be any longer viable.

Among the organisations that send representatives to the British Textile Colour Group are ICI, Monsanto, Courtaulds, the International Wool Secretariat, the International Institute for Cotton, Tootal, Klopman and the Clothing Export Council. Many other countries have similar national groups that produce

shade cards and act as a forum for the discussion of colour trends. France, for example, has the Comité de Co-ordination des Industries de la Mode, which is subsidised by the French Federation of Textiles and Clothing Industries.

Once national colour cards have been produced they are taken forward to one or other of the various international colour organisations. The British card goes to Intercolore which is attended by representatives from Austria, Belgium, Bulgaria, Canada, Czechoslovakia, East Germany, West Germany, France, Holland, Hungary, Japan, Poland, Romania, Spain, Switzerland and the U.S.

The Intercolore meeting is brief and decisions on the international colour card seem to depend largely on who can shout loudest. Certainly, far less thought is put into the international shade card than into individual national ones, but the exercise is none the less valuable.

Modifications are usually made to initial colour ranges. For example, the colours of any cloth destined for the mail order market have to be given special consideration. Roughly 17 per cent of all women's wear is sold through mail order in the UK. In 1976 total mail order sales of women's clothing were estimated at £360m. It is therefore essential that all the colours used should look good not only on the finished garments but also on the printed pages of the catalogues. And it is important to ensure that only colours which can be accurately reproduced in print are included in a mail order range.

The deadlines to which colour forecasters have to work vary considerably. When yarn is dyed before being woven or



Floral prints such as this in blue or pink are in fashion for this summer season.

knitted into fabric, information on colour is required early. Spinners need information about 18 months before a season is lost. To market to weavers and knitters who will want to start production at least 15 months ahead of a given retail season, some time will then be spent making up fabrics which have to be ready for the garment makers between nine and 12 months before the season begins. But woven or knitted fabric can also be dyed in the piece and this gives manufacturers and converters more leeway on timing.

The dyeing process itself presents comparatively few problems though occasionally there are not sufficient stocks of a particular dye to meet demand—this happened a few years ago when there was a sudden call for a crushed bilberry shade. Dye manufacturing lead times are fairly long—between three

and 12 months—so if stocks do run out the potential sales of a certain colour for that season are lost. As soon as converters and big textile manufacturers have decided on their colour ranges they start sending out samples—usually only to a small number of their bigger customers. Tootal reckons to spend between £150,000 and £200,000 on the initial sampling of just eight of its new, piece dyed cloths, each of them in 12 colours. This would represent only a tiny proportion of the company's complete plain dye range and it would exclude Tootal's colour wovens and prints.

One way of reducing risks with piece dyeing is to order quantities of grey cloth well in advance while at the same time reserving dyeing capacity. To what is planned, ultimate sales some extent at least, final decisions on colours can then be left

until after sampling has been completed and analysed. But despite sampling exercises and the efforts of colour forecasters to predict trends and capture the imagination of the public, things can still go wrong. Marks and Spencer says there is always a chance that a colour will "come from nowhere" and take off. But once the season has started it may prove impossible to meet demand.

The outlook for women's clothes for the coming winter and for spring-summer 1979 is—literally—brighter. The winter will see brighter colours appearing in the shops albeit mixed with some grey neutral tones. And the British Textile Colour Group card for next summer features a range of what it calls "lollipop" shades. This, at any rate, is what is planned. Ultimate sales will depend on the feminine whim.

## Defining audit qualification

From Mr. D. H. Cairns  
Sir—It would appear from Michael Firth's article (June 15) that the stock market understands better than he what is and what is not an audit qualification.

The two types of "qualification" ("substantial audit" and "SSAP concurs"), which gave rise to the smallest movement in share price are merely explanations. The departure by a company, with its auditors' concurrence, from an accounting standard is an indication that to comply with the standard would have been misleading. Consequently, the accounts still show, without qualification, a true and fair view.

The reference to subsidiaries being audited by other firms does nothing to absolve the holding company's auditors from the duty to report on the group accounts, nor does it imply any part of the accounts are in any sense unsatisfactory. The statement is therefore meaningless to the users of accounts and it is time auditors stopped using it. One of the objectives of the recently published draft auditing standards was to encourage auditors to make their reports clearer to the users of the accounts. This is a laudable aim. Nevertheless, Michael Firth's conclusions seem to imply that, whilst he is not always clear what is and what is not a qualification, the stock market is. It was perfectly right not to regard the two types of "qualification."

D. H. Cairns  
12, Verney Court,  
Harrow Lane, Maidenhead, Berks.

## And the effect on share prices

From Mr. Ian Wittet  
Sir—Any attempt to quantify the impact of audit qualifications on share prices in the way described by Dr. Michael Firth (June 14) must be welcomed in such an otherwise imprecise field.

The study examined the movement of share prices around the time of the release of the qualifications for 247 companies. It was found that the date in question was that of the publication of the Annual Report and Accounts it would appear to be naive in the sphere of relating statistics to assume that the only paragraph in the Annual Report which affects the share price was the audit report. There may have been some way of isolating the effect of the audit qualifications from the other information appearing at the same time (such as the chairman's review). In the absence of this, however, it would appear to be unlikely upon to demonstrate that: "Clearly investors were using the audit qualification to alter the values of these securities."

Ian Wittet  
24, Teetotdale Place, Edinburgh.

## Implications of Proposition 13

From Mr. A. Henney  
Sir—Lombard's piece "The dangers of Proposition 13" on June 15 is too sanguine in its hope for rational tax reductions. It is of course in principle possible to reduce public expenditure by 30 or even 50 per cent and still maintain good services by a combination of greater productivity, reallocation of resources, curbing wastefulness, increasing unproductive expenditure and reduction in over-enthusiastic subsidies. If it were

## Letters to the Editor

done carefully over 57 years it should be possible to do it without causing undue increase in unemployment.

But do we live in the best of all possible worlds? Despite ritual protests, only a minority of public officials and few politicians (of any party) are interested in doing anything to gain value for money. Indeed many do not understand the concept, and some abuse it. This is not surprising because they are neither rewarded nor constrained by efficiency, nor do they get pleasure out of the conflict involved. Most politicians "select" to "do things," and doing things costs money. Once elected they find that public expenditure provides power, patronage, and publicity, gifts which few relinquish voluntarily. Much of the political calculus is the balance between buying the critical floating votes at the margin at the expense of either a large levy on the majority, while avoiding directly confronting major vested interests. Consideration of efficiency and equity is almost accidental. Over time the little levies mount and major interests consolidate.

We have recently reached the expenditure stops, and cut back a few per cent (mainly borne by the private sector). This is easy compared with a significant reduction in public expenditure. The Government appears reluctant to provide even the basic tools—freedom of information and powerful investigative committees. Surely the odds on rational and considerate self-reform are low. To avoid either the same or possibly a big upheaval which would invariably hurt the weakest, perhaps we need a more gentle British form of Proposition 13. Each party must make an election offer to hostage to fortune a statutory binding referendum for a moderate percentage tax reduction (chosen by the party) for implementation 18 months afterwards. In this fashion individual politicians would not have to carry the odium of unpopular decisions if the electorate called for cuts.

A. Henney  
35, Swains Lane, N6.

## Who should decide to cut

From Mr. T. G. Arthur  
Sir—I was saddened to see Peter Riddell (Lombard, June 15) repeating some of the fallacies surrounding public spending, and indeed committing an error identical to that of which he accuses the referendum voters in California's Proposition 13.

He argues that the referendum route does not allow a balanced consideration of the consequences of tax-cutting, accuses voters of seeing only the decisions of the question, and prefers that decisions of this nature should be taken by "representatives."

The first major flaw here is that if voters cannot be trusted to take proper decisions on specific issues which directly concern them, their decisions in choosing representatives must be almost worthless. The classed as almost worthless. The chain via which a voter's wishes are reflected on specific issues are reflected in policy, when all he can do is to put a cross by the name of a candidate, is so weak that no incentive whatsoever is given to the sensible casting of votes.

Second, representatives do not normally know what the wishes of the population are. And even if representatives did know, it is highly doubtful whether they would act accordingly. The trouble with representatives is that they have their own interests to guard and expand; these interests nearly always point to bigger government.

The "Choice in Welfare" surveys of the Institute of Economic Affairs admirably

illustrate this contention. As early as 1968, when public spending in real terms was little more than half its current level, these surveys were suggesting that the public would prefer a much lower State element and a much higher private element in education, health, and welfare. But what has happened?

So much for representatives. Mr. Riddell would next have us believe that voters don't know what they're about; they only consider half the question. Yet surely Mr. Riddell is guilty of this very error, in telling us that public spending cuts will lead, in the long term, to inadequate services. The other half of this question is that public sector losses are private sector gains. Individuals are quite capable of spending money (indeed they do) on private education, private charities, and even private protection services. (There is more to protection than driving about looking for criminals.) Private institutions in these areas are quite capable of expanding to match and will not take long to do so. And what on earth makes Mr. Riddell think that public welfare, dished out by representatives, is of net benefit to the poor?

It is not at all surprising that voters are beginning to take matters into their own hands. What else can they do, after helplessly watching the inexorable growth of the Government machine, year after year? And after all these years Mr. Riddell's most sympathetic comment is that "there is certainly a strong case for limiting the growth of the public sector." Limiting the growth? No phrase could better illustrate the gulf between the representatives and the people!

T. G. Arthur  
3, Yateley Road,  
Edgbaston, Birmingham.

## Cheap calls on bank holidays

From Mr. Harry Verney  
Sir—Mr. Buzby urges us to telephone more, have extra phones, etc. but he could increase my usage of the telephone by extending the cheap rate to all day on a bank holiday, when I am sitting in my home branch rather than in my business tree!

The cheap rate happens at Christmas and the New Year, but please will the Post Office extend this to other bank holidays? I appreciate that telephone operators may need the day off, but surely putting at least daily calls on to cheap rate would encourage us to buzz our friends more!

Harry Verney  
Edgell, Camden Park,  
Twickenham, Kent.

## Claiming on knock for knock

From Mr. Allan M. Corey  
Sir—I write with reference to your article "Defeating Knock for Knock" on page 6 of your last Saturday edition. I fully agree with your correspondent that should the other party in a motor accident be 100 per cent to blame then he should be pursued for 100 per cent of your losses—but to comply with your own insurance policy conditions and to maintain utmost good faith the incident should be reported on the appropriate form to your own insurers. This company handles approximately 1,500 motor accidents per annum and wherever possible we pursue 100 per cent claims against the third party on behalf of our clients.

The "knock for knock" agreements are, of course, agreements between insurers only, and policyholders and indeed their insurance brokers are not party to such agreements. Having said

**GENERAL**  
Unemployment figures and unfilled vacancies (June provisional).  
Mr. Denis Healey, Chancellor of the Exchequer, meets CBI in discussions on moves for shorter working week.  
Second day of Ministerial meeting of EEC Agriculture and Fisheries, Luxembourg.  
Meeting continues in Washington between trade negotiators for U.S., EEC, Japan and Canada in talks to narrow outstanding differences.  
British Institute of Management conference "Energy 2000" speakers and panelists include leaders of UK's energy industry and those responsible for formulating a national energy policy.  
Mount Royal Hotel, W.1.  
Second of six planned monthly

gold sales by U.S. (each of 300,000 ozs) to re-establish stability of the dollar in foreign exchange markets.  
Yugoslavian Communist Party Congress opens, Belgrade (ends June 23).  
Second in series of Department of Industry international conferences on Computer Aided Manufacture. National Energy Laboratory, East Kilbride, Glasgow (until June 22).  
Liberian Board of Inquiry into Amoco Cadiz disaster continues in London.  
Union of Independent Companies' statement on industrial education, pollution and planning.  
House of Lords: Electricity Bill, second reading. National Health Service Bill, second reading. Scotland Bill, report stage. Final day. Protection of Children Bill.

**OFFICIAL STATISTICS**  
New construction orders (April). Gross domestic product (1st qtr. provisional).  
**COMPANY RESULTS**  
Allied Breweries (half-year). Plessey Company (full year). Powell Duffryn (full year).  
**COMPANY MEETINGS**  
Beralt Tin Wolfarm, Connaught Rooms, Great Queen Street, W.1.  
12. Bodycote International, Manchester, 12.20. Brooks, Poole, 10.45. Estates Duties Investment Trust, 91, Waterloo Road, SE.  
10.45. W. Rungeim, 52, Leadenhall Street, EC. 12. Vernon Fashion, Great Eastern Hotel, EC. 12.

Robert Von Hirsch collection

**Today's Events**  
Sale begins. Sotheby's, New Bond Street, London (until June 27).  
National Graphical Association conference continues, Isle of Man. Lord Mayor of London attends piano recital given by Professor Irene Kohler in aid of the Malcolm Sargeant Cancer Fund for children, Mansion House, EC. 7.30 pm.  
PARLIAMENTARY BUSINESS  
House of Commons: Northern Ireland, including ones on education, pollution and planning.  
House of Lords: Electricity Bill,

**Some facts and figures for people who still think protection's a racket.**  
Last year in the U.K., some 3,000 of these, on static and beat patrols locked and closed 222,543 of these, and closed 363,212 of these, found 3,356 open, took charge of 60,157 lost, discovered 7,033 criminal offences, arrested 685, found 22,924 people in places where they shouldn't have been, searched 479,870, and 199,501, switched off (AND ON) 846,149 of these, turned off 1,777 of these, & 10,403 of these, discovered 438 of these, and extinguished another 430, rendered to 2,657 people... and, all in all, literally saved our clients and the country a fortune.

**Transport strategy**  
From the President, The British Transport Officers' Guild  
Sir—You report and leader (June 14) on the Greater London Council's 15-year plan for London's roads highlight the reason why many similar schemes receive a "lukewarm welcome" and/or "generative major rows" between the political parties.

While your leader writer welcomes the GLC "fulfilling its role as a strategic planning authority," the question that must be asked is how logical and practicable are the proposals from a total transport strategy point of view?

For example, your leader drowns "road freight" in the Channel ports "clawing" its way through London's inadequate road systems for many years yet. "Don't we all?" But do we really need new roads to correct this situation?

We have no doubt that the GLC has views on the total transport situation and where and how investment in the various transport modes would be most effective. It is to be hoped that the absence of reference to them in the report is not due to the complete omission of such an important matter from the report itself! To produce proposals in a report of this kind without taking the opportunity to indicate total strategic thinking would only fuel sterile arguments.

Henry Haydon  
Room 307, West Side Offices  
Kings Cross Station, N1.

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2



11%  
on  
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£1.3m

## Petbow higher and sees more

ON A 23 per cent increase in sales to £21.38m, pre-tax profit of Holdings, generating equipment and welding plant manufacturers, rose 13 per cent from £2.7m to a record £3.1m for the year to March 31, 1978.

With a satisfactory order book and a higher rate of production the group is now budgeting for further improved sales and profits in the current year, says Mr. James Bird, the chairman.

Earnings per 10p share are shown up from 31.42p to 33.54p before extraordinary items. The final dividend—based on the gross basis—because of the possible reduction in the rate of 6.50p from 7.61p to 6.50p lifting the total for the year from 11.54p to 13.04p, the maximum permitted.

This represents a net final on the current basis up from 4.95p to 5.61p and a total for the year of 5.61p (7.77p).

A one-for-one scrip issue is proposed as well as an issue of one 10 per cent cumulative preference share of £1 each for every six existing ordinary shares.

Mr. Bird says the group has held its share of world markets, and at the same time continued its exercise of strengthening financial and management resources of the group. Stock borrowings were increased in the year and reduced.

Exports led the expansion in sales, increasing to £16.38m, representing 77 per cent of total output. UK sales also rose despite a relatively depressed home market, and the company has continued its penetration into the EEC, he says.

The closure of the Australian subsidiaries has been concluded, and a contract which will be completed during 1978-79. The anticipated losses incurred in the shutdown are as originally forecast, and the low state of the Australian market has justified the decision to close the manufacturing facilities there.

### BOARD MEETINGS

The following companies have today held Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends, official indications as to available market conditions and other matters of interest to shareholders.

### TODAY

Interims: Allied Breweries, British Airways, Bradford Property Trust, Elands, General Investment, Evans of Metal Finishing, Russell Brothers (Reading), Sunlife Stockman.

### FUTURE DATES

Interims: B&W Industries, Jun 27  
Cardiff Station, Jun 27  
Glasgow Stockholders' Trust, Jun 27  
The Grosvenor, Jun 27  
GVA, Jun 27  
Tribune Television, Jun 27  
GVA, Jun 27  
GVA, Jun 27  
GVA, Jun 27

push the company's share price up to 220p. Pre-tax profits are up 13 per cent and with almost 50 per cent of sales heading overseas earnings look set to continue their upward growth. Margins have been clipped by more than one point due to stiff competition from the U.S. and Germany, and sterling's strength in the first six months. According to the company its products now account for more than 50 per cent of UK turnover, and the company's 500 kilowatt range. Meanwhile Petbow is trying to cut down its dependence on potentially unstable Middle East countries and Europe, which now takes in 10 per cent of sales, was the fastest growing overseas market last year. At 220p the shares stand on a p/e of 6.3 and a yield of just over 6 per cent rises by a point if preference is taken into account.

## More growth by USMC Intl.

The Leicester-based subsidiary of USMC Corporation, USMC International, reports after-tax profits of £337,000 to £3,759,000 for 1977. Sales increased by £8.67m to £122.47m, including export sales £22.9m higher at £38.79m.

The group, which includes British United Shoe Machinery Company, Bostik and Tucker Fasteners of Birmingham, has other companies in the UK which are engaged in the manufacture of machinery for the rubber and tanning industries.



## Milbury Limited

Highlights for the year to 31st March, 1978

Turnover	£5,668,722	an increase of 27.47%
Profit before Tax	£801,593	an increase of 24.14%
Dividend	4-8p	an increase of 106.66%
Earnings per share	25.32p	an increase of 21.32%

Copies of the Annual accounts may be obtained from the Secretary, Milbury Limited, 178 Old Wellington Road, Eccles, Manchester M30 9QP.

## Fenner

Interim Announcement

## MARKET POSITION CONSOLIDATED

	Half Year Ended 4th March 1978 (unaudited)	Half Year Ended 26th February 1977 (unaudited)
External turnover	£38,675	£35,126
Profit before taxation	£3,641	£3,285
Profit after taxation	£1,591	£1,435
Earnings for ordinary shareholders	1,427	1,235
Dividends to ordinary shareholders	771	596
Retained profit	656	639
Earnings per share	6.58p	5.69p

- Turnover increased by 10%
- Pre-tax profit increased by 11%
- Post-tax profit increased by 11%
- Earnings per share up from 5.69p to 6.58p
- Dividend increased
- Dawson acquisition concluded

Extract from Chairman's statement

"Overall, the Group has made progress during the first half year despite adverse trading conditions overseas."

## J H FENNER & CO (HOLDINGS) LTD

The Fenner Group is principally concerned with the manufacture of power transmission equipment, industrial conveyor beltings, materials handling systems and fluid seals.

## Courtaulds profit £4m overstated—auditors

TAXABLE PROFIT of Courtaulds for 1977-78 was overstated by £4m say the auditors Price Waterhouse and Company. This resulted from the group's failure to apply the relevant accounting standard in regard to regional development grants and the auditors qualify their report in this respect.

In producing the published profit of £3.7m (£3.9m) for the year to March 31, 1978, the company credited these grants over a period during which the matching start-up costs and running losses are expected to be incurred. Under SSAP 4 grants should be credited over the expected useful life of the asset concerned. The effect on the previous year's figures was an overstatement of £100,000.

On a current cost basis profit for 1977-78 would have been £1.0m (£1.0m) after extra depreciation of £33m (£33m) and £1.0m (£1.0m) for the replacement of stocks, less a bearing adjustment of £25m (£25m).

Capital spending last year at £50m was at a lower level than for some time the directors say. This was because recent years' sums have been invested in new plant and equipment, particularly on the fibre and textile side, which must now be expected to earn a proper return.

The emphasis has thus been on improving the quality and competitiveness of the group's products in international markets for the capacities already created rather than enlarging them further.

Substantial spending has been committed to the modernising of the UK paint factories by Inter-

## Whitbread aims to lift return

WHITBREAD AND CO. is aiming to increase the return on its UK assets and to more than double the share of profits earned overseas.

Mr. C. H. Tidbury, the chairman, says in his annual statement that its first aim is to increase the comparatively low return on capital in the UK—a problem which he says is not peculiar to Whitbread and is now acknowledged by the Price Committee.

The second is to increase the share of profit earned overseas from the current level of some 8 per cent to 20 per cent within the next five years.

On the trading side, the improved trend seen in the second half of the February 23, 1978, year has continued into the current year and he is confident the group will make further progress at home and abroad.

He says the regained momentum of its larger brands is particularly encouraging. Another year of growth for its lagers and special beers is expected.

Export beers have also done well although a promising start in Nigeria was hampered by import restrictions. Alternative arrangements to brew locally have been sought.

With brewing under licence, directors are still optimistic over the New Zealand market while Mackeson continues to establish itself as an international brand. Arrangements have been concluded to brew at the Windward and Leeward Brewery at St. Lucia

in the Caribbean, and progress is also being made in Trinidad and Jamaica.

Wine and spirit retailing in the UK is seen as a potential growth area for Whitbread.

A current cost statement with accounts shows the £43.3m historical pre-tax profit cut to £31.7m by additional depreciation of £11.6m and a £3.3m cost of sales, offset by a £3.4m gearing adjustment.

Accounts show fixed assets ahead from £38.43m to £40.73m and net current assets up from £20.83m to £20.53m. There was a £0.83m decrease (£1.72m increase) in liquid funds in the year.

Meeting, 11, New Street, EC, July 18 at noon.

## Hammerson staying out of UK market

The Hammerson Property and Investment Trust is unlikely to undertake any new developments in the UK in the foreseeable future, Mr. Sydney Mason, the chairman, confirmed at yesterday's annual meeting. Longer term, however, Mr. Mason believes that opportunities may arise for a modest degree of central London office developments and for limited provision of shopping facilities.

The current portfolio contains five development sites: two in Australia, two in Vancouver and one in Reading. In reply to questioning Mr. Mason said that the group aimed at a return of 3 per cent (2 per cent at minimum) over and above the cost of money on any new development.

So far as the existing portfolio was concerned, Mr. Mason declined to quantify the current net asset value per share. However, he said that Woolstate House, which is valued in the books at its £25m original cost, was presently worth between £40m and £50m.

Summing up the current financial position of the company

Mr. Mason said that any problems were now largely over. He intended to reduce short-term borrowings further by way of sales of properties but these would not be on a large scale.

In fact he was relatively happy about the level of short-term borrowings and also about the group's accounting practices, where no changes—particularly with regard to the capitalisation of interest—are planned.

## Baraora Tea pays 20p

Following the recovery from a loss in 1976, pre-tax profits of Baraora Tea Holdings moved up from £275,500 to £287,178 in 1977.

A second interim dividend of 10p is declared taking the total up to 20p net—the last dividend totalled 5p gross in respect of 1976.

Turnover amounted to £1,881,556 (£1,572,384). After tax of £506,691

(£582,520), earnings per 25p share came through at 45.5p (48.2p).

## McInerney reaches £0.9m —to pay interim

An advance in taxable earnings from £440,625 to £509,977 in the second half of 1977 by McInerney Properties lifted full-time profit from a depressed £632,021 to £902,977.

Sales by the Irish-based construction group, which has interests in the Middle East and the UK, slipped £0.31m to £28.07m.

Again no dividend is to be paid for the year—the last payment was £0.25m in 1976.

However, the company is to return to the dividend list with an interim for 1978 of 2p per 10p share.

After tax of £302,700 (£365,705) earnings per share emerged more than doubled at 3.17p (2.47p).

## Brown Shipley expects insurance recovery

The period of political and economic uncertainty which faces the UK makes prospects for the banking group of Brown Shipley Holdings particularly difficult to forecast, but directors are confident that the insurance group's overseas earnings will provide the basis for good recovery in that side of the business. Lord Farnham, the chairman, says in his annual statement.

In the March 31, 1978 year the insurance side had difficulties, with growth of earnings restrained by the generally low level of economic activity and the depressed state of world trade.

The contribution was down from £0.88m to £0.8m.

Lord Farnham says that although the overall level of underlying business overseas was maintained the increase in the value of the portfolio, particularly in the second half, was the main factor influencing the result.

On the banking side, where profits rose 23 per cent to £1.31m, the movements in interest rates and in the value of the pound made it possible to earn good

profits from foreign exchange dealings, investment trading and money market operations.

Although overall demand for credit remained for the leasing business, was buoyant, and assets held for leasing increased from £7.75m to £11.41m.

The stake in Trinity Bank of Dublin was increased to 68 per cent in the year and directors are confident that in due course it will make a valuable profit contribution.

The group plans to spend £1m on modernising its freehold premises at Haywards Heath and installing a computer centre there.

Accounts show current deposit and other accounts—including inner reserves and tax—up from £132.2m to £179.54m, and loans, advances and other accounts virtually static at £61.78m (£61.1m). At the same time holdings of Treasury Bills, bills discounted and certificates of deposit rose from £16.76m to £29m, and British Government and local authority securities holdings doubled from £7.78m to £14.59m.

Accounting Founders Court, EC, July 12 at 12.30 pm.

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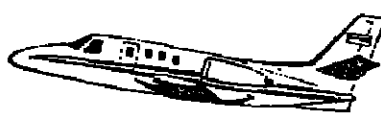
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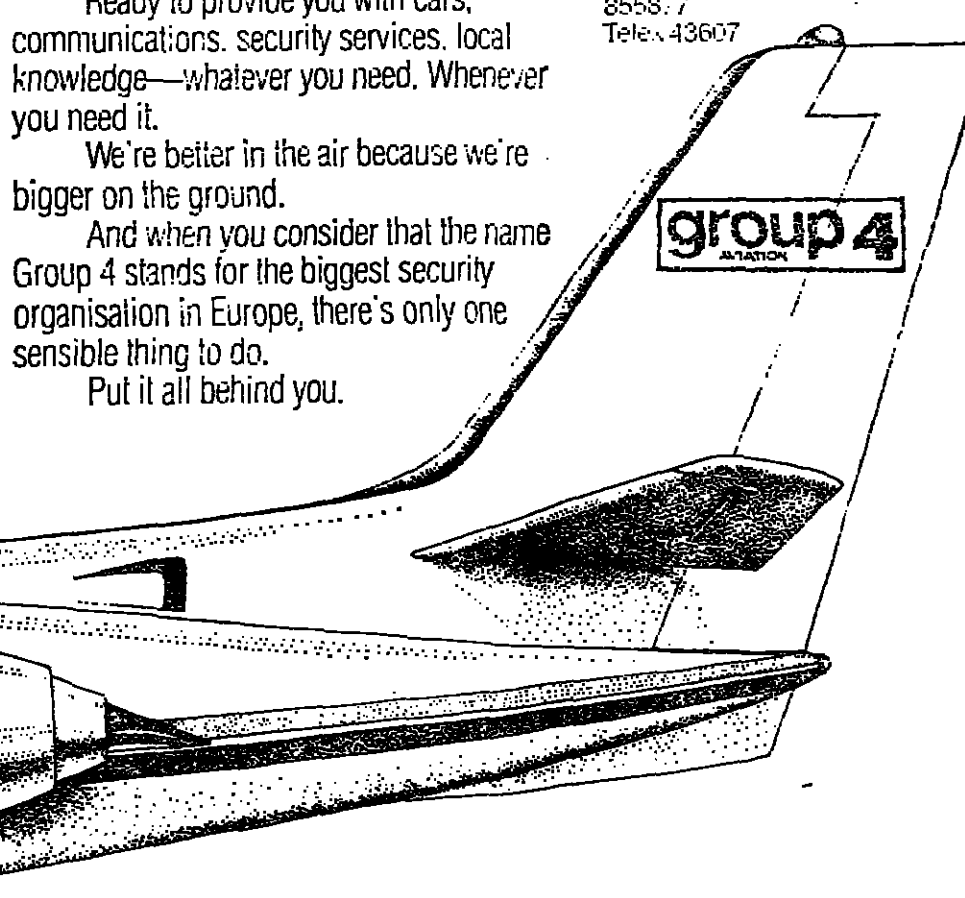
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## group 4

Group 4 Aviation Limited, Head Office: Staverton Airport, Nr. Cheltenham, Gloucestershire, England. Tel: Churchdown (STD 0452) 855877. Telex: 43607



## THE LILLESALL GROUP

### Preliminary Announcement

Group Results—for the period ended 31st December 1977

	1977	1976
Turnover	£9,863,015	£9,965,610
Profit before Tax	130,305	27,846
Profit after Tax	149,686	48,829
(before extraordinary items)		
Extraordinary Profit/(Loss)	35,908	(267,941)
Net Profit/(Loss)	185,594	(219,112)
Retained Surplus (Deficit)	139,779	(259,431)
Ordinary Dividends Interim	5%	10%
Final	12.5%	5%
Earnings per 10p ordinary share	6.5p	1.3p

Subject to the confirmation of the shareholders at the Annual General Meeting to be held on 12th July 1978, the final dividend will be payable on 13th July 1978 to holders of ordinary stock registered on 29th June 1978.

Steel stockholding has been adversely affected by the general recession in the steel industry but turnover has been maintained under highly competitive conditions.

In engineering the year has been one of consolidation and reorganisation. Total turnover has been increased and trading losses considerably reduced.

The improvements made in the steel rolling plant have helped the contribution that this division has made to group profit during the worst period of recession since the early 1930's.

Under extraordinary items there is a profit of £34,077 on the realisation of our investment in Nigeria.

Our activities are now centred on steel and engineering which will provide a firm working base for the future. The recession in the steel industry continues and does not look like improving for some time to come. Given reasonable trading conditions however the company will prosper and the profit of the Group so far this year is in excess of the profit for the same period last year.

Allan R. Pike, Chairman

## THE LILLESALL COMPANY LIMITED

ST. GEORGE'S, TELFORD, SALOP TF2 9BQ

## WILLIAM LEECH (BUILDERS) LTD

YEAR ENDED 28.2.78.

## LEECH HOMES

	1978 £'000	1977 £'000
TURNOVER	30,820	25,943
PROFIT AFTER TAXATION	1,790	2,409
EARNINGS PER SHARE	14.9p	21.0p
DIVIDEND: Interim already paid	2.5p	2.5p
Final proposed	3.5p	2.5p
	6.0p	5.0p

### SUMMARY OF CHAIRMAN'S REMARKS

1. Whilst a reduction in profit is never welcome, I firmly believe that in the context of the building industry last year these results are a particularly sound achievement.
2. The group has decided to adopt the proposals outlined in the exposure draft Accounting for Deferred Taxation (ED19). As your Board feels it is unlikely any tax will be payable in the foreseeable future, the deferred taxation liability shown in the 1977 accounts has been credited to reserves. This, together with the profit for the year, has the effect of increasing the shareholders' funds from £6.9m last year to £10.87m, thus giving an underlying value at cost of almost £1 per share.
3. It is proposed to pay a final dividend of 3.5p per share, making 6.0p (5.0p) for the year.

J. ADAMSON

City House, City Road, Newcastle upon Tyne.

## NatWest Registrars Department

National Westminster Bank Limited has been appointed Registrar of

## GNOME PHOTOGRAPHIC PRODUCTS LIMITED

All documents for registration and correspondence should in future be sent to:

National Westminster Bank Limited  
Registrar's Department  
PO Box No 82  
National Westminster Court  
37 Broad Street  
Bristol BS9 7NH.

Telephone Bristol (STD Code 0272)  
Register enquiries 290711  
Other matters 297144



# Brown Shipley

Extracts from the Annual Statement by Lord Farnham, Chairman of Brown Shipley Holdings Limited, for the year ended 31st March, 1978.

With world trade sluggish and economic activity remaining at a low level, movements in financial markets were once again the dominating feature of the year for both banking and insurance broking.

Sterling interest rates declined steeply during most of 1977, only to be reversed during the last quarter, with rates today very similar to those ruling in March 1977. Similarly the value of the pound fluctuated sharply, the rate against the dollar moving from \$1.72 in March 1977 to a peak of almost \$2.00 in January and ending at \$1.86 in March 1978.

The Banking Group was able to take advantage of the opportunities these sharp movements offered but the Insurance Group, with approximately half its brokerage income earned overseas, was adversely affected by the change in the value of the pound.

## Result for the Year

Group profit, after taxation and transfer to inner reserve, amounted to £1,693,000 (£1,482,000). A final dividend of 5.264p is recommended, bringing the total for the year to 9.264p, and represents the maximum increase permitted.

Group disclosed reserves increased by £2,675,000, which includes retained profit of £1,180,000, realised capital profits of the investment trusts of £882,000 and £732,000 from the sale of No. 4 Moorgate.

## Banking

In a year of considerable activity banking profit increased by 23 per cent from £1,058,000 to £1,310,000. Although overall demand for credit remained low, good profits were earned from foreign exchange dealing, investment trading and money market operations and business with customers in raw material fields was again active. Leasing business was very buoyant and assets held increased from £7,784,000 to £11,472,000.

## Insurance

Our Insurance Group had a difficult year, with growth of earnings still being restrained by the low level of economic activity and the depressed state of world trade. The result was disappointing and pre-tax profit declined from £890,000 to £796,000. Although the overall level of our underlying business overseas was well maintained, the increased relative value of the pound was the main single influence.

## The Future

Fluctuations in financial markets bring difficulties not only to our own business but also to many of our customers. It is disappointing that their adverse effect on confidence is still with us. We hope that achievement of more stable conditions will be given a high priority. Your company stands to gain far more from a healthy resurgence of industrial activity based on stability and confidence than from alertness in identifying opportunities in uncertain times. The period of political and economic uncertainty facing us makes prospects for our Banking Group particularly difficult to forecast but we are confident that the Insurance Group's overseas earnings will provide the basis for a good recovery in that side of our business.

Year ended 31st March	1978	1977
	£000	£000
Profit of the Banking Group after tax and transfer to inner reserve	1,310	1,058
Profit of Parent Company and Insurance Group after tax	383	424
Net profit of the Group	1,693	1,482
Dividends	513	456
Retained profit	1,180	1,026
Other net increases in reserves	1,495	(129)
Total gross assets	221,845	192,470
Shareholders funds	15,798	13,123

The full Annual Report and Accounts and Chairman's Statement may be obtained from The Secretary.

**Brown Shipley Holdings Limited**

Founders Court, Lothbury,  
London EC2R 7HE

## MINING NEWS

# More Australian coal deals

BY KENNETH MARSTON, MINING EDITOR

WHILE Australia's potential producers of uranium continue to await for permission to start mine development, the country's coal producers continue to play their part in meeting the world's energy demands.

Of the latest Australian coal export contracts to be announced, new deals worth more than A\$500m (£31m) have been written by the big Utah Development group. Australia's leading profit-earner which is 80.2 per cent owned by America's Utah International and 19.8 per cent by Utah Mining Australia.

The importance of the latest Utah contracts is that they provide justification for the A\$250m Norwest Park coal development in Queensland and give the company diversification from its sales to the Japanese steel industry. The new contracts are with British Steel, Romania, South Korea and Brazil.

Steaming coal export contracts with Israel, which could be worth some A\$150m are reported to have been secured by the Anglo-Japanese (CAIL) and the Oakbridge group. The coal is to be supplied to the Israeli Electric Corporation for its new plant at Hadera which is due to start up in 1981.

State and Federal Government approval is needed for the CAIL and Oakbridge deals. An important consideration for the CAIL group is that the Israeli deal will provide an outlet for the new Warkworth coal mine in the Hunter Valley of NSW.

Last month the Howard Smith group and Rio Tinto-Zinc's 72.6 per cent-owned Zincite Rio Tinto of Australia dropped a joint A\$50m take-over bid for the CAIL but Howard Smith has since increased its holding in the coal concern to 50 per cent.

The basic reason for the abandonment of the long-standing joint take-over of CAIL was NSW Government reluctance to

## Japanese sign S. African iron ore contract

ASSOCIATED MANGANESE, in which the Anglovaal group is a major shareholder, is to supply 420,000 tonnes of iron ore to a group of Japanese steel mills over the next April, with shipments starting in October, reports Richard Ruffe from Johannesburg.

The five steel producers are Sumitomo, Nippon Steel, Nippon Kokan, Kobe and Kawasaki. No new capacity will be needed to meet the order, according to Richard Ruffe. Reflecting the recession in the steel industry, Associated Manganese's iron ore output was down from 734,000 tonnes in 1976 to 558,000 tonnes in 1977. Manganese exports over the same period fell from 1.7m to 1.8m tonnes.

Associated Manganese is also engaged in an expansion project of 3m tonnes of iron ore annually in association with U.S. Steel. The last annual report said the project was proceeding faster than originally intended because of the depressed steel market.

# Dickenson absorbs Robin Red Lake

DICKENSON MINES and Robin Red Lake Mines, two Ontario gold producers, are to amalgamate, reports John Sogaalaki from Toronto.

The companies are already closely linked. Dickenson owns 77 per cent of Robin, while Robin's ore is milled in the Dickenson plant on a fee basis.

Dickenson shareholders will receive one share in the amalgamated company for one Dickenson share. Robin shareholders will receive one amalgamated company share for every two and a half Robin shares.

The aim of the transaction, which will be put to company meetings on June 15, is to create a stronger corporation with an enhanced capability to secure substantial financing.

Both companies have seen earnings recover on the back of the higher bullion price. Dickenson had 1978 first quarter net profits of C\$428,000 (£239,100) compared with C\$160,000 in the first three months of 1977, while the comparable figures for Robin were C\$197,000 (£221,250) and C\$140,000 (£157,320) respectively.

The higher bullion price has also helped Northair Mines, whose Brandywine Falls gold-silver-lead-zinc mine, 73 miles north of Vancouver has recently completed its first full year of production.

With the current stabilised gold and silver prices, and anticipated price increases in the near and longer term, it is management's opinion that the debt will be repaid prior to the end of the current fiscal year, Mr. Donald McLeod, the president said.

At the end of last month, Northair's debt to the Royal Bank of Canada stood at C\$1.5m (£732,800), having been reduced by more than C\$3m since March 1977.

Meanwhile Cochenour Williams Gold Mines, a former Ontario producer which last paid dividends in 1968 and still controls properties in the Red Lake-Campbell area, is in an arrangement with Campbell Red Lake Mines.

The idea is for Campbell Red Lake to undertake the development of the Consolidated Marcus Gold Mines, a Cochenour subsidiary.

Campbell Red Lake is 57 per cent owned by Dome Mines and recently received a parcel of shares in Denison Mines, when Dome purchased a 10.1 per cent Denison stake.

Market talk in Toronto has

thrown up suggestions that Dome is about to bid for Denison but this is rejected by top management in both companies as having no basis in fact. For Dome the deal is a simple investment and it is understood they are not seeking representation on the Denison board.

## COPPER STRIKE IN INDIA

Rich deposits of tin and copper have been located in the tribal district of Bastar in Madhya Pradesh, the state's chief minister, Mr. Virendra Kumar Saklecha, announced. The copper deposits were discovered during excavations aimed at assessing the possibility of a commercial tin mine in the district, writes K. R. Sharma from New Delhi.

Mr. Saklecha said it is now established that tin deposits can be commercially exploited. This is to be done by the State Government's mining agencies.

An assessment of the copper deposits in Bastar is being made and the Chief Minister expects a favourable report since the mineral is present in adjacent areas. A copper mine is already being operated in Balaghat district of the State.

## ROUND-UP

In Sydney, Pacific Copper said it had acquired a 10 per cent contributing stake in a uranium prospect, 100 km east of Yellowknife in the Northwest Territories of Canada. The Canadian parent, Pacific Copper Mines holds 50 per cent and the vendors of the prospect own the remaining 10 per cent.

In order to take up its 25 per cent entitlement in the Beekmantown Gold rights issue and avoid investing fresh funds in South Africa, the Consolidated Gold Fields Ltd. sold 300,000 shares in Gold Fields of South Africa. This reduces the parent's holding in the latter from 49 per cent to 43.9 per cent.

Arco Steel, is building an experimental deep mine in Oklahoma and could later exploit 12m tons of metallurgical coal in an existing deep mine. A new deep mining operation in the state have been abandoned because of methane gas, thin ore and questionable roof conditions.

Following an investment of £1m during the year, the company now holds 20.2 per cent of the capital of Agricultural Land Investment Holdings. The directors regard this investment as being of a long-term nature.

The chairman reports that the company's long-standing investment policy has been broadly maintained and is designed to continue to improve income and therefore dividends and, at the same time, provide long term growth of capital. Geographical emphasis continues to be concentrated in the UK and the U.S. However, the company is seeking to increase its direct exposure in the U.S. in such a way not to prejudice its dividend record and therefore the increase in its U.S. portfolio must be a gradual process, Sir Keith adds.

The directors believe that the company should fully maintain indirect investment abroad through its holdings in British companies trading overseas; for this indirect foreign content has already increased a high percentage of its portfolio, the chairman points out.

The directors intend to propose a special resolution at the AGM to amend the articles of association in order to give the Board power to fix the rate of fee payable to non-executive directors, up to a maximum of £3,000 per annum. It is the Board's intention to increase the present fee of £2,000 by 10 per cent with effect from April 1, 1978.

## BIDS AND DEALS

# Crescent Growth Fund N. American expansion

BY ERIC SHORT

Crescent Unit Trust Managers is seeking approval from unit-holders to change the name and investment policy of the Crescent Growth Fund and for the adoption of a new trust deed.

The managers want to change the name to Crescent American Fund and while the investment objective will still remain long term capital appreciation, to achieve that aim by directing the investment either exclusively or to a very high percentage in North American companies with above average growth prospects.

The Crescent Growth Fund was established in November, 1968, with the aim of providing long term growth prospects—at a time when it was fashionable to go for growth and a number of growth funds were launched by various unit trust groups. The fund has not been popular with investors compared with the others in the Crescent stable, its value at May 1, 1978 being

£726,000 with 835 unit-holders. Since its investment aims and portfolio distribution are similar to that of the Crescent Reserve Fund, which has over 10,000 unit-holders and is valued at £10m, the managers are anxious to

launch an American fund, such as the Crescent American Fund, which would join the two existing overseas funds—the Crescent International Fund and the newly launched Crescent Tokyo Fund. The proposed move in the Crescent Growth Fund is a small fund and at the same time launches a new fund,

## ESS-FOOD STAKE IN DANISH BACON

The Danish Bacon Company has been notified that the Danish Bacon Factories in Denmark have agreed to sell 50 per cent of shares of the company to Ess-Food, the Copenhagen-based central organisation for the skills and experience together

## HOVERINGHAM

Mr. G. H. Christopher Needler, the Hoveringham Group chairman, said in a circular to shareholders on its recent acquisition of Superior Sand and Gravel, that the group's introduction of Hoveringham's experience together

# GPG in £25m Sudan project

The Guinness Peat Group stands to benefit from a £25m project in the Sudan, the result of the key role played by a subsidiary, Guinness Peat International in a proposed U.S.\$45m (£23.8m) livestock fattening and meat processing project in the Sudan.

Located near Khartoum, the facilities will include an irrigation system covering 10,500 acres and a slaughterhouse and processing plant with refrigeration and cold storage plus related facilities including animal quarantine for receiving cattle and sheep purchased from Sudanese livestock producers.

The U.S.\$45m will be channelled through a specially created company, Seleit Food Production, which is jointly owned by Guinness Peat (10 per cent), the International Finance Corporation (a subsidiary of the World Bank), the Sudan Development Corp., the Abu Dhabi Investment Authority, the Sudanese Ministry of Agriculture and Animal Husbandry and Agricultural Production Company.

Many of the Guinness Peat Group subsidiaries are involved in the project and have overall responsibility for the project and has signed an eight-year management agreement with Seleit which includes detailed project planning, supervision of construction, day-to-day commercial management of the company.

Guinness Mahon and Co., the London-based merchant banking subsidiary, has arranged much of the finance including the export credit. Guinness Mahon's credit. Executor and Trustee Company has been appointed to act as agent for all the lenders; the group's merchanting division has advised on the purchase and supply of plant and equipment; and Fenchurch Insurance Brokers Group is advising on various aspects relating to insurance. In addition, GPG has signed an export marketing agreement with Seleit to organise and administer the export of meat and certain by-products.

## HOWARD TENENS

Howard Tenens Services and Paktrans, the transport and distribution division of the Pakhroed Group, have reached agreement for Paktrans to acquire the Air Wingate division, the UK air freight forwarding subsidiary of Tenens. The sale is subject to contract and formal approval by the Bank of England.

## OWEN OWEN

Owen Owen, the Liverpool stores group, has completed its £2.36m acquisition of Suters which operates two department stores at Slough and Uxbridge.

The group paid £1.75m in cash

# Customagic Board split widens over Mooloya

LAST NIGHT it appeared that there was a split between the Terry family and independent directors of Customagic Manufacturing over Mooloya Investment's bid for the company.

The independent directors said in a statement last night that Mooloya's bid of 20p cash a share was inadequate and that they did not intend to accept in respect of their 23 per cent holdings.

However, the Terry family interests controlling a 20 per cent plus interest have already indicated that they intend to accept the offer.

The independent document sent to Customagic shareholders yesterday reveals a series of material contracts involving among other Mr. Bernard Terry, who has agreed to serve as a director of Customagic in charge of the mail order division.

Among other material contracts outlined in the document is a fee to Gras d'Eau Consultants "in the event that certain shareholders of Customagic accept an offer by Mooloya for their shares."

Mr. Terry's appointment as director in charge of mail order is subject to the offer going unconditional.

Mooloya with the Terry family interest has received acceptance representing around 47 per cent of Customagic.

Customagic's chairman, Sir Cecil Burney, who is also a Mooloya director and has taken no part in Mooloya bid, is understood to be one of the Customagic directors rejecting the offer.

Mooloya also said the company is holding talks with a highly experienced and successful textile group with a view to their being involved in the management of the trading activities of Customagic.

It is confident that this association, together with Mr. Bernard Terry's assistance, will "rapidly restore the trading activities of Customagic to profitability."

Customagic suffered a pre-tax loss of £18,596 for the six months to October 31, 1977, compared with a pre-tax profit of £13,000 in the comparable period of 1976.

## BRIDGEWATER INV.

Shares of Bridgewater Investment Trust have not been quoted on the London Stock Exchange as reported in Saturday's paper. A relisting is expected once an offer document from Smeest SA, is posted to shareholders.

## NEWS/HEWITT

The offer by News Holdings for F. Hewitt and Son (1977) has been accepted in respect of 120,055 preference shares (87.38 per cent) and 106,802 ordinary shares (94.26 per cent). Both offers unconditional and remain open.

## AURORA/OSBORN

Aurora Holdings has received acceptance of the offer for Samuel Osborn in respect of 3,220 ordinary shares (prior to capitalisation) together with 3,310 Osborn ordinary shares before the offer and the 2,390

## ESS-FOOD STAKE IN DANISH BACON

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**DERITEND**

## GROUP ACTIVITIES

Manufacturers of hot dip forgings and pressings in ferrous and non-ferrous metals, investment castings and special purpose machines. Electrical installation and repairs and electrical surface heating.

## RESULTS

Year ended 28th February	1978	1977
	£	£
Sales	27,225,000	24,248,000
Profit before Taxation	1,794,130	1,228,440
Profit after Taxation	842,135	535,682
Ord. Dividends per share (Actual)	8.97p	9.92p
Earnings per share	28.1p	21.5p

## MR. C. W. PERRY REPORTS

Sales up 17% and profits up 47% are the highest yet in the history of the company. The Forging Division was not able to maintain the gratifying profit performance level of the previous year and the indications are that this division will remain in a depressed state for 1978-9.

The results for the Manufacturing Division are very encouraging. There is no reason why this division cannot look forward to further achievements during the current financial year. Improved trading in the Electrical Division resulted in a satisfactory return in profits and if this improvement in trade is sustained the upward trend should continue throughout the current financial year.

Copies of the Full Statement and Accounts can be obtained from The Secretary.

THE DERITEND STAMPING COMPANY LTD.  
St. Richard's House, Victoria Square, Droitwich,  
Worcestershire WR9 8DS.

# WGI HIGHEST LEVEL OF ORDERS EVER

Points from the Annual Report and Statement by the Chairman, Mr F P S Stammers for the year ending 31 March 1978.

■ The turnover at £24 million (1977: £21.7m) is the highest for the group to date and the profit before tax of £1.19m (1977: £0.76m) is slightly better than we have ever achieved before.

■ The board recommend a final dividend of 3.8p net per share (1977: 3.7p).

■ Our Civil Engineering Division achieved a turn-round from a large loss to a modest profit — reflecting great credit on the management concerned.

■ The Refractories Division produced yet another record. This is particularly impressive when its main customer, the steel industry, was running at only 60% capacity.

■ The Process Engineering Division and the Mechanical and Structural Engineering Division, both managed good profits. The latter division includes Tully Engineering which, in its Golden Jubilee Year, achieved excellent results.

■ During the year Cox & Wright Limited acquired Air Tools & Compressors Ltd to add to its existing subsidiary, Cox & Wright (Pneumatics) and thus enlarged its distribution network. Both companies have now been merged and in future will trade as ATC Pneumatics Limited.

■ We announced in January that we had sold our interest in Christy Bros Ltd, realising a profit of £53,690. Also announced this year was the disposal by Trafalgar House of its entire holding in this Group.

■ From the Directors' Report, shareholders will have learned that I propose to retire at the conclusion of the Annual General meeting in July. Mr D R Brooks, at present Deputy Chairman, will succeed me.

■ The Group as a whole commenced this year with the highest ever level of orders, although in some cases margins are somewhat thinner than is desirable.

**WGI WEST GROUP INTERNATIONAL**  
LIMCO  
Lloyd House, Alderley Road, Wilmslow, Cheshire SK9 1QA, Wilmslow (09984) 27488.

Civil Engineering — Specialist Refractory Manufacture  
Process Engineering — Mechanical and Structural Engineering.



## Competition and Supply in the Brewing Industry

You will know that this industry has again been the subject of Government investigation, this time by the Price Commission in regard to beer prices and margins. The subsequent report made it quite clear that beer prices had risen less than prices generally, and that margins were not excessive. However, the Price Commission went on to comment on the structure of the industry, although it had made no attempt to obtain recent evidence on this matter.

The industry then issued a reasoned response to the Price Commission Report, answering the points of criticism and reminding the Government that the Monopolies Commission had already come to the conclusion that there were no practical alternative arrangements which would be more advantageous to the customer than the present system.

The Price Commission has since completed a further investigation, this time into an individual company, namely Allied Breweries. The report published covered the same ground as that on the industry, and, once again, confirmed that profit margins are not excessive, and acknowledged that the method of valuing brewers' public houses shows a low return to the industry on the capital involved.

The Brewing Industry has been in discussion with the Government for some months past on these subjects. I am pleased to report that the Secretary of State at the Department of Prices and Consumer Protection, in a statement made on the 2nd May, welcomed assurances given by the major brewers on areas covered in these discussions. The main points concerned prices, where the major brewers have undertaken to endeavour to hold prices for a period of from six to twelve months, and that efforts will be continued to reduce concentration of ownership of pubs in certain areas, and to explore the possibility of exchange of beers where there is a commercial demand.

We look forward to a better atmosphere between the Government and the Brewing Industry in future. We are proud of our industry, with its eighty brewing companies, its pubs and the pint of draught beer which are unique to this country. Competition is intense between brand and brand, and pubs and clubs. Choice in the outlets, from my experience, is wider in Great Britain than in any other country in the world, and this has also been acknowledged by Government. Many of our competitors find it profitable to sell your Company's brands, and we shall continue to offer our customers a wide range of draught, bottled and canned beers, in addition to wines, spirits and soft drinks. I sincerely hope that both Ministers and the Price Commission will now leave this industry in peace, so that we can bend all our efforts to the task of increasing the real wealth of your Company and of the country by building up our trade and earnings abroad, and improving the return on our assets at home.

## The Board

I would like to pay tribute to my predecessor, Mr. Alex Bennett, who retired as Chairman on the 31st December, 1977, after 43 years' service. Like Colonel Whitbread, he has given a lifetime's work to the Company and, with a very human touch, has guided Whitbread's development through the difficult inflationary times of the last seven years. We all wish him a happy retirement, and are most grateful for the time he has agreed to spend in continuing to help Whitbread and the Brewing Industry. He remains on the Board of the Company, and continues as Chairman of the Whitbread Investment Company. In addition, he is staying on as Chairman of the Brewing Research Foundation and has also undertaken the Deputy Chairmanship of the Food and Drink Industries Council, two very important tasks both for Whitbread and the Brewing Industry.

We also wish a happy retirement to Mr. J. E. Martineau, who retired in July after more than fifty years with Whitbread, forty-five of them on the Board, and we are grateful to him for all he has done for the Company over all these years.

## The Retail Trade

Whitbread has some 8,000 retailers and their wives, as well as some 50,000 Free Trade customers. I try to meet as many of them personally as I can, and I would like to pay tribute to them for the unique service they provide for their customers, the public, and to thank them for their continued support. Good relations with retailers must be the cornerstone of any successful business in this industry, and we in the Company will continue to work to maintain a happy and prosperous partnership on an individual basis.

Recently, the National Union of Licensed Victuallers, the tenants' association, has published a list of points of review with the brewers, and these are being discussed by our local Companies with the local N.U.V. representatives. We are confident of a satisfactory outcome to these discussions.

Our tenants have had a difficult time over the last eighteen months, squeezed by continuing inflation and a depressed trade. However, I am sure that this phase will pass and, as such, it is worth reminding ourselves that the Brewing Industry offers a unique opportunity for the licensee and his wife to build up their own business with a relatively small capital outlay. There is the opportunity for great effort but also offers a fair return for enterprise and hard work. It has to be recognised that there is an element of risk to both sides of this partnership, and being a licensee these days is no sinecure, a fact often forgotten by some critics of the Trade.

I would also like to thank our 2,000 managers and their wives for the immense amount of hard work they have put in over the past year. We maintain an extremely good relationship with the National Association of Licensed House Managers, and are proud that the President, Mr. Bill Scotting, is one of our managers, as is the immediate past President, Mr. John Lewis.

## Social Problems

We all remain concerned with the problems that abuse of alcohol can produce in society. The extent of such problems can be exaggerated, but they are none the less real, and the Brewing Industry actively supports many of those organisations concerned with them—the main areas being under-age drinking, drinking and driving, and violence.

The increase of violence in our society is something that worries everybody, and, as many of you will have seen, the Company ran a questionnaire advertisement as part of our corporate advertising campaign during last year, on pub violence. The response was significant, and it was apparent that both the public and members of the Trade supported the need for increasing efforts to try to understand and combat the growth of violence.

We have now set up a Whitbread Research Foundation at Oxford University's Department of Experimental Psychology to look more deeply into the subject. The Research Team will report to a Board composed of members of the Company and eminent public figures of experience in this area. I am pleased to report that Lord Carr and Sir Arthur Peterson, a former Permanent Secretary at the Home Office, have agreed to join us in this endeavour as Trustees.

## The Chairman's Statement Mr. Charles Tidbury's Report for the year ending 25th February, 1978

May I start off by saying how honoured I am to be writing this Company Statement for the first time, and not without some trepidation.

1977/78 was a difficult year after the record year of 1976/77. The summer weather was not good, the economic climate was dull but, most important of all to Whitbread, the quality of our service to our customers in

What is particularly encouraging is the regained momentum of our larger brands, Heineken and Stella Artois, despite the very poor spring weather. We expect another year of growth for our lagers, and our speciality beers, notably Gold Label and English Ale, which continue to make good progress.

Our exports of beer have also done well, although a promising start in Nigeria was hampered by import restrictions, and alternative arrangements have been sought to brew locally. As far as brewing under licence is concerned, we are still optimistic over the New Zealand market, although the broadening of distribution in that country continues to be a problem. Mackeson is continuing to establish its position as an international brand, and in the Caribbean arrangements were concluded to brew at the Windward and Leeward Brewery in St. Lucia. We are also making considerable progress in Trinidad and Jamaica.

## Trade — Beer

Our trade performance for beer last year divides itself into two distinct periods—from March until September, and then October through to the present time.

The first period's sales were disappointing. Apart from the general slowing down of the market, our situation was further exacerbated by industrial relations problems. This caused us to lose share to our competitors. However, during this period of poor trading, Whitbread Trophy Bitter continued to make good progress, as did some of our local ales such as Marlow Bitter and Pompey Royal. Sales of canned beer through the Take Home Division continued to outperform the market, and our new organisation in Whitbread Scotland resulted in a substantial increase in trade in that area.

From October onwards, our sales began to improve, and since then we have continued to regain lost ground. Our standards of supply and customer service during the Christmas trading period were much improved, resulting in our second half-year's trade being significantly ahead of the previous year. This improved trend continues through to the present time.

## — Soft Drinks

Our Soft Drinks Company had a difficult year. The adverse summer weather depressed the total soft drinks market, and R. White's lemonade suffered from this along with the rest. One sector where we managed to do better than the market generally was in mixers and fruit juices, with our Rawlings brand, which continued to increase its market share.

## — Wines and Spirits

Trading in wines and spirits at home last year was not easy but, at the retail end of the business, our Threshers' and Mackie's shops made good progress. During the year, twenty-six shops trading as Agnews were added to the chain, and the headquarters for the total operation was successfully con-

centrated at Hatfield, which enabled us to sell the Chelsea premises. Not long ago, many people thought that shops such as ours would bow out before the weight of the supermarket chains. Thanks to the local service and trading ability of our staff and managers, this has not proved to be the case. We are pleased with the results, and we regard this area as one of potential growth for the future.

Stowells of Chelsea celebrates its centenary this year, having started from a single shop in Ealing, it is now one of the

largest wine and spirit wholesalers in the U.K. Langenbach, our German wine business, founded 125 years ago, has now doubled in value since our purchase of it four years ago. During the year Stowells acquired Hawker's Pedlars Sloe Gin, a brand which we believe has potential both at home and overseas.

Long John whisky had a good year overseas, and sales at home have surpassed the expectations of even the most optimistic among us. With Black Bottle, Islay Mist and malt whiskies Laphroaig and



Mr. Charles Tidbury

Tormore, we have the necessary brands for an important market sector. This year, Plymouth Gin has made encouraging gains.

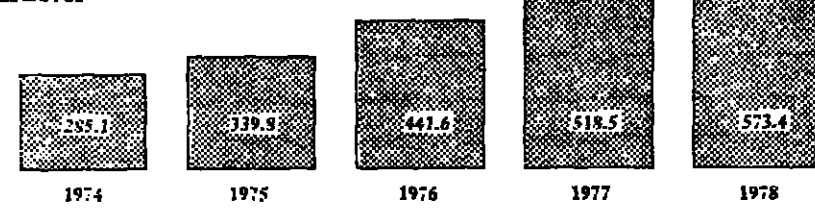
## OUR RESULTS

YEAR TO 25th FEBRUARY, 1978

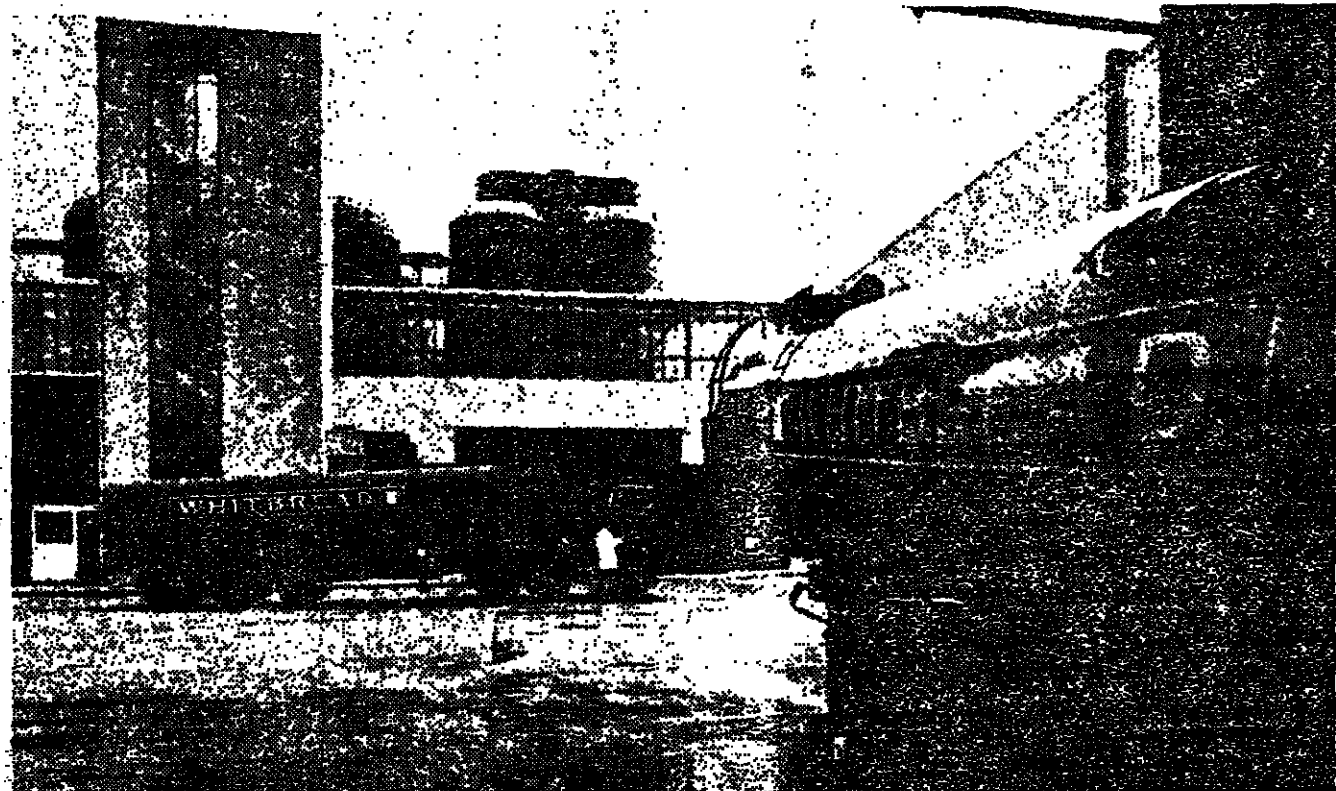
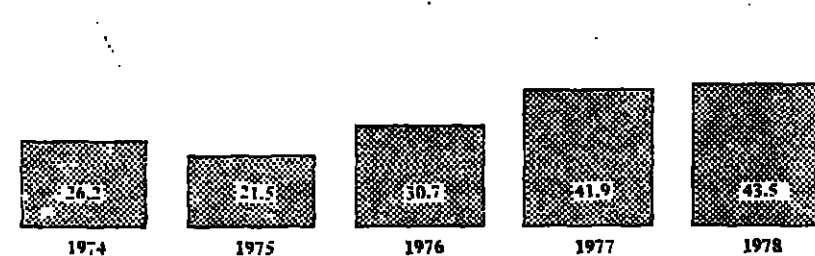
	1978 £000	1977 £000
Turnover	573,369	518,473
Profit before Tax	43,518	41,897
Tax	6,786	10,421
Profit after Tax	36,732	31,476
Dividends	9,363	8,341
Retained in the Business	28,921	22,134
Earnings per Share (pence)—basic	16.13p	13.78p
—fully diluted	14.76p	12.67p

## 5 Year Summary

Turnover



Profits before Tax



Whitbread tankers ready for loading at Samlesbury brewery, Lancashire, where the company has invested more than £30m.

## INVESTMENT

Last year, a total of nearly £50m was invested in the business, with production of lager and distribution requiring the lion's share. Some people have said that it is the brewers who force lager on a defenceless public. To that I would say, it is public demand that creates a market, and the sum of nearly £120m that your Company will have invested in lager will enable us to meet that demand. The same applies to the growing take home trade, where our 'Take Home Division' continues to make encouraging progress. Sufficient canning lines are a prerequisite to support this sector of the trade, and we are making the necessary investments.

We intend to increase progressively our level of investment into new pubs, the improvement of our existing

estate, and the Free Trade. In April 1978, we successfully issued £15m of Sterling Foreign Currency Bonds at par with a coupon of 10½% fixed for twelve years. Annual redemption from 1981 gives an average life of approximately 9½ years. This money, which was raised through a consortium of international banks led by our merchant bankers, Kleinwort Benson, will be used to finance our investments in U.K. trading assets.

during 1978. We have tried to soften the blow by careful planning, and are keeping a distribution depot in both places.

As well as completing the Strathclyde Distillery for Long John whisky, we have continued our construction of the new plant at Magor, which should be in production in 1979. Magor is in Wales, just across the Severn Bridge. This brewery, on a sixty-acre landscaped site, will represent a major development for the Company.

The continued high quality of our products has been ensured by a strengthening and reorganisation of our Quality Control during the year, which is now yielding benefits in the quality of our products at point of sale. This year we are extending our control to the manufacturers of our raw materials and packaging by the

appointment of a Quality Control Inspector.

I have noticed that, in assessing the value for money the public are willing to pay for a product, a little extra is always available for the one in perfect condition and whose reliability can be depended upon.

## Chiswell Street Development

As I write, we have just concluded partnership arrangements with Trafalgar House to develop two blocks, totalling 400,000 sq. ft., of offices on our site. The construction contract will be let to Trollope & Colls, and we believe that there will be a demand for good office space in the City in two years time—a large investment decision which shows our confidence in the future of the City and this country.

## The Overlord Embroidery

The Company were very honoured when Her Majesty Queen Elizabeth The Queen Mother consented to open the Overlord Embroidery Room at Chiswell Street on the 6th June this year, the 34th anniversary of Operation Overlord, the Allied D-Day landings in Normandy.

The Embroidery was commissioned by Lord Dufferin, and donated to the nation by him in 1973. It was designed by Miss Sandra Lawrence, and took the Royal School of Needlework five years to complete. It is now on loan to the Company from the Overlord Embroidery Trust, and is on view to the public throughout the year.

I hope that our shareholders will find an opportunity to visit the Brewery to see the Embroidery, and to see the work that has been done on our retained buildings on the site.

## Sponsorship

Your Company has always been in the forefront of innovating sponsorship of sporting events, and we were very pleased this year to organise once again, in partnership with the Royal Naval Sailing Association, the Whitbread Round the World Race. In addition to such old favourites as the Whitbread Gold Cup at Sandown Park and the Badminton Horse Trials, we now include awards for literature and the arts, to say nothing of golf, cricket, tennis, speed-boating, darts and many others.

We are confident that sponsorship of this nature helps to keep our name and our products in the public eye, and in addition encourages sports that are of interest to many of our customers.

## Philosophy of Whitbread

As you know, we are still a truly family brewing company, of whose independence I believe we can all be proud—but we have to keep the business successful. Success means making reasonable profits to allow us to invest in good research and development and modern plant to enable us to compete with the changes in the market place. It also means good customer service, a fair return to our shareholders, and a decent livelihood for those who work in the business.

You will find Whitbread & Co. all over the country but, although we are national, we trade through nine local companies. It is interesting that when we did this in 1969 many said it would not work—now others are copying us. We believe our system gives the greatest sense of achievement and belonging in a large organisation but it works only as long as we can find able and enterprising people to run these companies with high standards of trading, management and leadership. To see that these standards are maintained and developed is one of the most important tasks which your Board is tackling at the present time.

## Aims and Organisation

Two principal current objectives have been set for the Company: first, to increase the comparatively low return on our capital in the U.K.—a problem which is not peculiar to this Company and, I am glad to say, is now acknowledged by the Price Commission; secondly, to increase the share of profit earned from overseas, from the present level of approximately 8% to nearer 20% within the next five years.

## Taxation

We are disappointed at the apparent unwillingness of the Government to ease the tax burden on senior and middle management. If this country is to raise its productivity to the level of that of our major competitors in the world, surely we must have the same, if not better, incentives for people to work harder.

I believe there is no lack of willingness to work but the frustration of rewards which leave those concerned, and their families, materially worse off must be to the detriment of this country's objective of keeping, and improving, its place in world trade.

## Share

## Ownership and Profit-Sharing

We would welcome any scheme which we could be reasonably sure would help to increase the feeling of involvement of all those working in the business, and thus benefit members of the Company, our customers and shareholders. We are currently studying all the implications for profit-sharing, with or without linked share ownership, before coming to a conclusion on any future policy. It is hoped that the ideas mooted by the Government in the Finance Bill will encourage industry in this area. As you know, since 1975 we have operated a successful own-as-you-earn scheme which gives people who work in the Company a chance to save and eventually own Whitbread shares.

## THE FUTURE

As I write this at the end of May, the current year has started well, despite the appalling weather of the Easter holiday and even worse May Day—truly an international distress signal for a national holiday! We hope for better during the summer. I remain an optimist for our Trade, and I am confident that, with the help of all who work in the Company team, and less attention from Government to distract our senior management, we shall, this year, make further progress both at home and overseas.

Annual General Meeting:  
Brewery, Chiswell Street,  
London EC1V 4SD.  
12 noon 19th July 1978.



## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## AMERICAN NEWS

## Capital increase from Petrobras

RIO DE JANEIRO, June 19. FOR THE first time ever, Petrobras, the Brazilian national oil conglomerate, has announced an increase in capital before the board formally ratifies the decision. This has been done to avoid stock market speculation through inside information.

Petrobras was submitted to an official Stock Exchange Commission investigation when its shares moved sharply earlier this year after rumours and counter-rumours that BP had discovered oil in the Santos basin, drilling under a risk contract with Petrobras.

One June 21, the Petrobras board will ratify the decision to increase the company's capital from \$1.41bn to \$2.12bn through a bonus issue of one new share for every two held (ordinary or preference).

The new bonds issue means that since 1974, Petrobras will have increased its capital by nearly 200 per cent (that year, it was worth \$580m). The state-run conglomerate has no longer allowed to increase their capital by subscription, and must confine themselves to bonus issues, in order to leave the market more open to shares of smaller companies.

This year Petrobras will invest over \$1bn in oil prospecting and exploration.

## Toft proposal rejected

BRAZIL'S Industrial Development Council has rejected a proposal made by Toft (Jardine-Matheson Company of Hong Kong) to produce sugar cane harvesters in Brazil, writes Diana Smith from Rio de Janeiro. Had the proposal been accepted, Toft would have received local loans at subsidised interest rates, and export incentives.

The proposal was turned down essentially because of gloomy prospects for the sugar cane industry, with lower world prices, and because of heavy tripled capacity in Brazilian cane harvester manufacturing plants. In 1977 the Brazilian manufacturers Santos sold 91 machines for a total of \$10.7m—this year they do not expect to sell more than 45.

## Chicago options markets agree on merger plan

BY STEWART FLEMING

THE CHICAGO Board Options Exchange, the biggest of the U.S. share options markets, has reached agreement on a merger with another Chicago-based options market run by the Midwest Stock Exchange.

The announcement comes at a time when the Securities and Exchange Commission is calling for further information about options markets and has put into effect a moratorium on the expansion of the markets already operating.

The SEC's move was an indication of its concern about illicit trading activities on some exchanges, but it reflected too its desire to carry out a thorough review of other rapidly growing options markets before making decisions about their future

regulation and development. The SEC has now called for further public comment on specific areas it is looking at, including the issue of whether the New York Stock Exchange, the dominant U.S. stock market, should be permitted to start an options market. At present, this development, for which the NYSE has been pressing, has been delayed because of concern about the problems of regulating such a market.

Other questions at which the SEC is looking are whether and in what circumstances trading of options and their underlying securities should be integrated on an exchange floor. At present, they must be traded on separate floors. It is also

examining whether options should be traded on the over the counter market.

The announcement of a proposed merger between the CBOE and the options market of the Midwest Stock Exchange is already upsetting other options markets, who fear that it will strengthen the CBOE's already entrenched position. The American Stock Exchange, which also operates a share options market, has sent a telegram to the SEC protesting against the move on the grounds that it represents just the sort of expansion which is supposed to be held in abeyance during the SEC inquiry.

The CBOE is arguing that the merger does not involve expansion, merely consolidation.

## Exchanges set up probe into Husky Oil

By Robert Gibbons

MONTREAL, June 19. THE Toronto and Montreal stock exchanges have begun an investigation into trading of Husky Oil shares over the past week. Trading in the stock was halted on Thursday June 8 and the last trade was at C\$36.

The halt was due to rumours that a bid would be coming for the company. Last Monday, Petro-Canada revealed it was planning a C\$45-a-share cash bid, which was quickly countered by Occidental Petroleum of the U.S. with a share-exchange offer worth about U.S.\$44.

Trading reopened in Canada between C\$47 and C\$48 a share. Later in the week, Petro-Canada upped its bid to C\$52 a share, to which Occidental replied with a revised share-exchange offer worth around U.S.\$48.

Trading was halted again, and when reopened on Friday, Husky stock was holding around the C\$50 level in Canada. The American stock exchange, where Husky shares are also traded, confirmed that it will also investigate trading. Officials of all three exchanges said the main issue was whether inside information on the coming bids for Husky was leaked in contravention of exchange rules.

The House of Commons in Ottawa, Mr. T. C. Douglas, a spokesman for the New Democratic Party, said there had been "a game of badminton" between Husky's head office in Cody, Wyoming, and Occidental Petroleum in Los Angeles. There may have been collusion to drive up the value of Husky stock by C\$200m.

The Energy Minister, Mr. Alastair Gillespie, said he would refer the charge to the Justice Department for legal advice. Later, Occidental put out a denial from Los Angeles that it has been engaged in collusion with Husky to drive up the price of Husky stock in the market. "Occidental wants Husky at the best possible price," Occidental said. Its discussions with Husky had been going on "for several years." The "investigation Mr. Gillespie has requested will prove conclusively... that a suggestion we would be trying to drive up the price of Husky stock is without any foundation."

We will co-operate with the investigation fully."

The battle for Husky Oil, Page 27

## Esselte holds 90% of Dymo

Esselte AB and Oxford Pendaflex Corporation said that about 1.75m shares of Dymo Industries common stock or about 90.5 per cent of Dymo's outstanding stock was tendered under offer at \$30 a share, and that the offer has been extended to June 30, reports Reuters from New York. Oxford Pendaflex, a division of Esselte, said that June 30 will be the final extension. Dymo has 1.93m shares outstanding.

## Westinghouse settles

Westinghouse Electric Corporation has reached an out of court settlement with Union Electric of St. Louis over a \$23m lawsuit involving two steam turbine generators, reports Reuters from Pittsburgh. The suit, filed in 1973 in U.S. District Court for the Eastern District of Missouri, arose from outages of two Union Electric generating units, Labadie unit one and two during the years 1971 to 1972.

Under the settlement, Westinghouse said it agreed to make a cash agreement in an unspecified amount and to provide credit to be applied to the purchase of three turbine rotors that will be used as spares for both Labadie units and for two Rush Island generating units.

## EUROBONDS Yen issue expected for Sears Roebuck

By Francis Ghiles

THE dollar sector of the bond market was easier yesterday in fairly thin Monday trading. Many dealers felt that prices would fall further in the next few days. Convertibles remain the only really buoyant sector, at least where new issues are involved.

The \$15m convertible for ASICS, whose coupon has already been cut once by a quarter of a point to 6 per cent, looks as if it may see its coupon cut again before pricing, which is expected today. It was oversubscribed 12 times.

In the Deutsche-Mark sector of the market, prices remained steady yesterday. A DM150m issue for Sanyo, to be arranged by Nomura and Deutsche Bank, was announced. Terms for this issue, the largest DM convertible ever, include a 10-year maturity and an indicated coupon of 3½ per cent. Average life of these bonds will be eight years, and the conversion price is expected to be about 10 per cent.

The Unit of Account 20m issue for Societes de Developpement Regional was priced at 99½. The first yen-denominated bond for a foreign private company is expected shortly for the U.S. stores company Sears Roebuck. This development comes as no surprise, as the Japanese authorities are liberalising access by foreign borrowers to the yen market in an attempt to reduce their trade surplus.

## Braniff approaches CAB on new Middle East route

BY JOHN WYLES

Braniff INTERNATIONAL, Dallas-Fort Worth and Houston, one of the fastest growing U.S. regional airlines, is seeking a Government approval to start a new "oilman's special" special return coach fare of \$292, the current off-season fare, which would apply all the year round.

In addition it is planning an advanced booking fare of \$880, half the current fare of \$1,760, and a special "rest and recreation" fare of \$800. Braniff says this would be aimed at the large number of Americans from its service area who are working in the Middle East and who typically receive one month's leave at least twice a year.

By flying to Tehran from Dallas-Fort Worth, would be 12½ hours compared with the shortest time currently available, via London and travelling with Houston, companies now have scheduled service linking two airlines of 21 hours. The times are braniff times.

## Burlington sees lower profits

Burlington Industries expects a "mediocre" year ending September 30 with quarter-by-quarter cost and time required to re-improve. Mr. William A. Klopman, the chairman and chief executive officer, told a group of securities analysts.

He tended to agree with Wall Street earnings estimates that are generally in the \$2.60 to \$2.80 a share range. For fiscal 1977, Burlington earned \$2.9m or \$3.1m a share fully diluted on sales of nearly \$2.4bn.

The nation's largest textile maker had "underestimated the ing and clothing-related factors. About 65 per cent of sales stem from these businesses. During the first four months of 1977 imports on a year-to-date basis rose 33 per cent from the year-earlier period. Imports aren't going to destroy us but they are hurting us. We're in a moment," Mr. Klopman said. "Home furnishings should show record sales and earnings this year. Even the domestic area, that Burlington was looking to

AIR HANDLING AIR POLLUTION CONTROL INDUSTRIAL AND COMFORT VENTILATION INDUSTRIAL DRYERS GENERAL CONTRACT SERVICES OTHER SYSTEMS AND PRODUCTS

Fläkt

1977 sales and order bookings rose  
Group income held close to 1976 level  
Continuing growth seen in 1978

Annual Report Highlights (€ millions, except per share data)		
Income Data		
	1977	1976
Sales	311	253
Earnings before special adjustments and taxes	15	15
Depreciation	4	3
Special adjustments	6	7
Taxes	6	5
Reported net earnings		
Per share	1.09	0.73
Adjusted net earnings		
Per share	2.32	1.79
Other Data		
Order bookings	343	274
Order backlog (year-end)	335	267
Investments in property, plant and equipment	8.3	7.5
Employees (year-end)	11,182	11,243
Dividend per share	0.65	0.65
Amounts translated from Swedish kronor:		
Sk 8.89 = £1.00.		

Despite weaknesses in the Japanese economy which caused losses in one sector, the Fläkt Group continued to make constant progress in its multinational operations during 1977. Calculated in Swedish kronor at year-end rates, sales increased 23 per cent and orders booked were 25 per cent higher. Group earnings were only marginally below 1976 figures.

Fläkt's current strategy for continuing growth is based on three approaches: (1) Expansion of its already widespread sales organization throughout the world, (2) Increased emphasis on sales of complete systems in the fields of air pollution control, industrial and comfort ventilation, industrial drying, and waste-handling and resource recovery, (3) Highly efficient production of standard products.

Fläkt is soundly equipped to cope with the economic conditions foreseen during 1978. Although earnings are expected to decline slightly, sales and order bookings should both continue to rise, providing a good base for future growth.

To learn more about Fläkt's progress and prospects, why not write today for a copy of our Annual Report in English?

Fläkt  
AB Svenska Fläktfabriken

Head Office: Fack, S-104 60 Stockholm, Sweden  
40 Group companies in 26 countries  
In the U.K., Fläkt Ltd.,  
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Thorn Electrical Industries Limited  
has acquired James G. Biddle Co.

Our Financial Services Department  
acted as financial advisor to Thorn.

Morgan Guaranty Trust Company  
OF NEW YORK

## FTC may block Tropicana deal

BY OUR OWN CORRESPONDENT

NEW YORK, June 19.

BEATRICE FOODS, America's largest food producer, has warned that its \$450m acquisition of Tropicana Products may be blocked by the Federal Trade Commission.

The company announced that the FTC had asked for a postponement of the shareholders' vote on the proposed acquisition.

The largest agreed this year, until

some time after September 1. The Government agency says it wants more time to complete its previously disclosed anti-trust investigation.

However, Beatrice appears unlikely to comply. In a filing with the Securities and Exchange Commission, the food company said it had declined the FTC's request and that it expected the acquisition to be

completed by the end of this month. But it also acknowledged that the FTC could take any action it thought appropriate under the anti-trust laws "before or after the proposed acquisition is consummated."

This action could include an attempt to force Beatrice to divest itself of Tropicana, the Florida-based producer of fruit juices.

## Damages cut in Kodak anti-trust case

BY OUR OWN CORRESPONDENT

NEW YORK, June 19.

THE \$37.5m damages which a jury awarded Berkey Photo in a protracted anti-trust suit against the world's leading photographic products producer, Eastman Kodak, has been reduced to \$27.1m by the judge in the case.

Kodak has indicated that it intends to appeal against the damages award, which would be against the world's leading photographic products producer, Eastman Kodak, has been reduced to \$27.1m by the judge in the case.

In reducing the award, Judge Marvin E. Frankel of the Federal District Court in Manhattan rejected a request by Berkey that Kodak be forced to

divest itself of some of its main operations. But he ordered Kodak to treat all photographic products, including its own, colour print and processing division.

Berkey expressed satisfaction that the judge upheld the jury's verdict against Kodak. The judge said that in his opinion the evidence showed a carefully orchestrated programme by (Kodak) to use its film monopoly in order to obstruct and frustrate competition on merit in the camera market.

He upheld the jury finding that Kodak should pay interest on the damages award and legal

costs related to the trial. The judge said he could not justify the "devastating remedy" of divestiture, which would in all circumstances be punitive rather than curative.

In Rochester, New York, a spokesman for Kodak said that while the company was aware of the judge's ruling, it had not seen it and therefore could not comment.

The suit is one of a series which has been brought against the giant company, and the findings, unless overturned on appeal, could influence cases still outstanding.

All these Bonds have been sold. This announcement appears as a matter of record only.

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June, 1978



## New data reveals high unused credit level

BY MARY CAMPBELL, FLIROMARKETS EDITOR

When it comes to reporting figures to the BIS, it is understood that the extent to which guaranteed export credits are included varies from country to country.

It is thought that this big discrepancy is partly due to a higher sterling proportion among loans which are sterling denominated.

export credit facilities which have not yet been drawn and partly to the fact that standby facilities by banks in the UK for banks abroad would be substantially denominated in sterling. Such standby facilities usually take the form of agreements to swap the home currency of one bank for another currency should the bank activating the agreement fall short.

THE proposal by AF

Thus arrangements for dollar standbys would be made with banks in the United States, and arrangements for sterling standbys with banks in the UK.

## es up sharply

BY OUR OWN CORRESPONDENTS

gramme. It is to open a representative office in Hong Kong at the start of next year.

\* \* \*

**Brown Boveri plans to take over**

\_\_\_\_\_

Ceag Light-Und Stromversorgungs-technik of Soest; as soon as the application passes through the Federal Cartel Office without objection. Ceag has a base capital of DM 3m and increased turn-

\_\_\_\_\_

★ ★ ★  
Volkswagen is not involved in concrete negotiations over the

These Debentures having been sold, this announcement appears as a matter of record only.

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## INTL. FINANCIAL AND COMPANY NEWS

## The battle for Husky Oil

BY ROBERT GIBBENS

NEVER BEFORE have the heavy oil resources of the Lloydminster area of south-west Saskatchewan—they also extend into south-east Alberta—received so much attention. But these comparatively large potential reserves, from which production has been obtained in small quantities for many years, have emerged as the main issue in the current tussle for control of Husky Oil of Calgary, a company spanning the Canada-U.S. border in production, refining and marketing, with assets of well over \$600m.

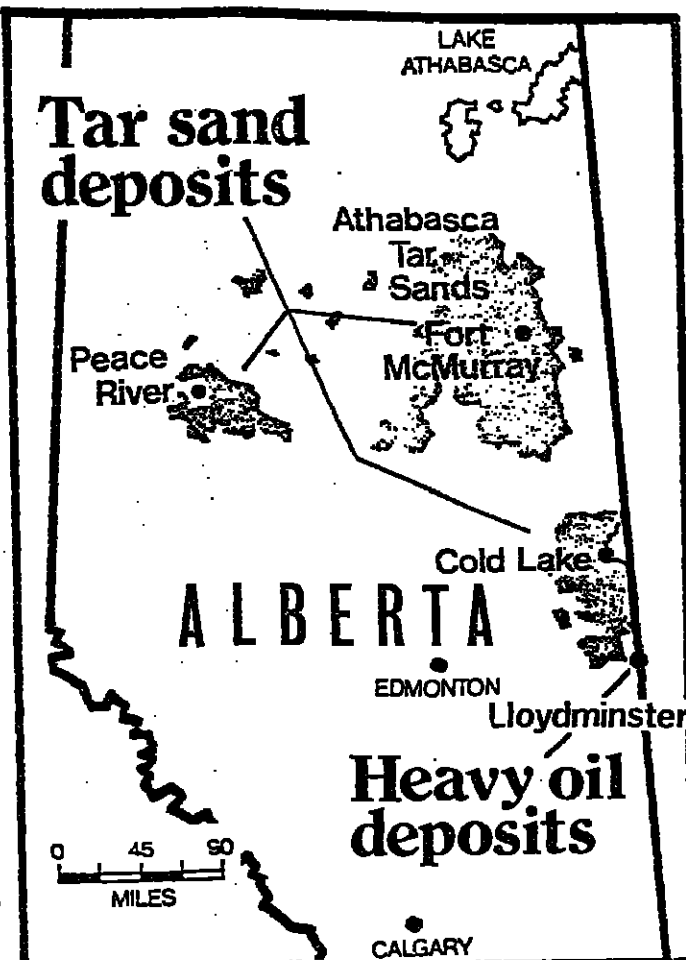
The problems since the energy crisis of 1973-74, have been the timing of large-scale production of heavy oil, the technology required and the meshing together of a large number of interests which hold leases in the area, in relation to the Canadian long-term oil supply.

From the point of view of the Federal Government, the timing could be crucial to the balance of payments and to security of supply. The prospects are good for getting new domestic capacity of perhaps 100,000 barrels daily of crude oil at half the cost of a third Alberta tar sands plant—if technical problems can be overcome. In the sands, bitumen occurs close to the surface, mixed with sand, and at present, is strip mined and then upgraded; heavy oil occurs deep below the surface.

The second tar sands mining and processing operation, Syncrude, will be starting up shortly and will ultimately have a capacity of 125,000 barrels a day of synthetic crude. This will bring total tar sands production from the two plants to around 175,000 barrels daily compared with total Canadian needs of around 2m barrels a day.

Syncrude will come on stream at a capital cost of around \$2.5bn. However, the third tar sands mining operation now planned by Shell Canada with partners cannot reach start-up much before the mid 1980s. It will cost around \$3.5bn in current dollars for the same capacity as Syncrude.

The technology to extract oil from the deep-lying tar sands through various methods of heating up the deposits underground, and using less water than Syncrude with less environmental scarring, is many years away. The most advanced project is that of Imperial Oil, which has a pilot plant using



to force the issue. And federal Energy Minister Alastair Gillespie now says that the Occidental Petroleum takeover of Husky could be acceptable to Canada if there were cast-iron guarantees that this would mean fast development of the Lloydminster heavy oils.

Occidental is one of the leaders in oil-shale technology in the U.S. but whether it can contribute extra know-how to the extraction of the Lloydminster heavy oils is not clear.

Husky is a very well known name in western Canada, and it would be hard for Canadian nationalists to make a case against it. It was founded in 1938 by American oilman Glenn Nielsen at Cody, Wyoming, with a 900 barrels daily refinery, 19 employees and one producing lease. Mr. Nielsen is chairman and his son is president. The company moved into Canada in the late 1940s with the first discoveries of major oil reserves in Alberta. Today it has production, refining and marketing operations on both sides of the border with exploration interests in the North Sea, Alaska and other parts of the Western hemisphere. It holds leases in the Alberta tar sands, and in other heavy oil areas of Canada and the U.S. Last year it earned \$42.8m on volume of \$630m, against \$30m on sales of \$532m in 1976. The parent company is based in Canada, though its headquarters are in Cody. Its 1977 production from the Lloydminster area was 27,500 barrels daily, sold mainly in the U.S. Husky says it has identified 16bn barrels of heavy oil in place in the Lloydminster area.

It has formed a special technical group to develop methods of tertiary recovery to lift a greater percentage of the oil in the reservoirs. Its proposed upgrading plant would have 100,000 barrels daily rating and be operated by a new Canadian corporation owned by investors, producers, refiners and governments.

Husky would provide 25 per cent of the equity required.

It now seems that compromises are possible in the fight for control of Husky in the interest of getting the heavy oil reserves to market, especially as both countries are finding it increasingly necessary to co-

operate on energy matters. It is quite possible that the real purpose of the Petro-Canada bid for Husky Oil was

to heat up the heavy oils the reservoirs, putting the oil through an upgrading plant which would produce crude capable of being pipelined to any conventional refinery. The Husky Oil group has for many years controlled much of the land in the Lloydminster area required to support sufficient production to justify the upgrading plant, itself involving an investment of well over \$350m. While Husky last year proposed a major development programme with upgrading plant, continuous wrangling over how to pull the project together has meant long delays. The Saskatchewan, Alberta and federal governments have been involved in this wrangling besides many interests owning freehold leases in the area. However, the federal government, and the national oil company Petro-Canada, have been getting impatient.

It is quite possible that the real purpose of the Petro-Canada bid for Husky Oil was

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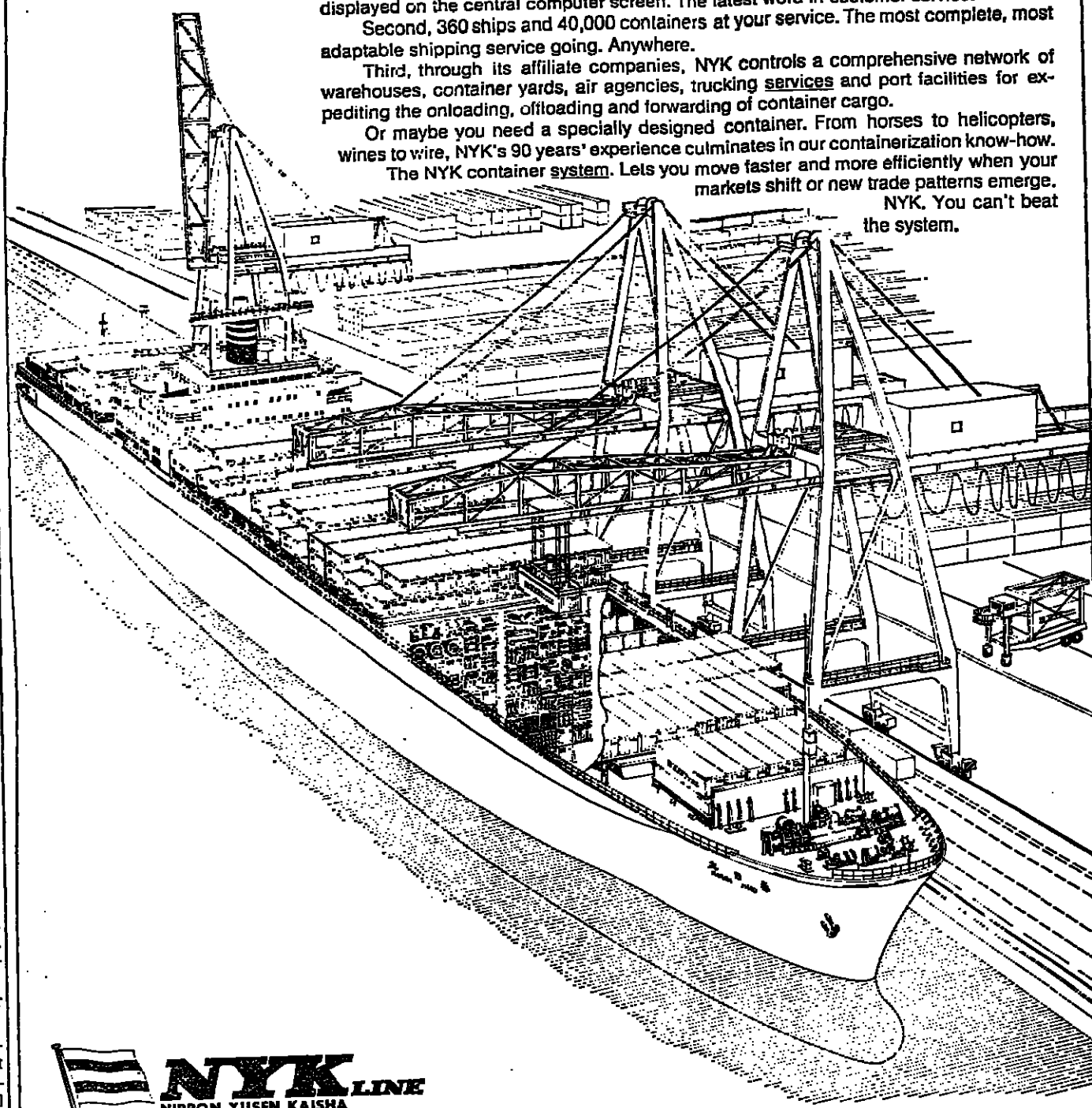
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Britain already has the biggest mining industry in the Community, producing as much coal as the rest of the EEC put together. To replace Britain's present coal output with imported oil would worsen Britain's balance of payments by £5,000m a year. This makes coal good for Britain as a whole.

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To ensure that these huge reserves are available when needed the NCB, under its "Plan for Coal", is already investing heavily in developing new collieries and in expanding existing pits.

We are still proving coal reserves in Britain four times as fast as we are using them. Selby, the biggest new coal project, will produce 10 million tons of coal a year. This and other new mines are keeping British coal-mining in the forefront of mining technology.

### Ever heard of a fluidised bed?

Britain is also taking a lead in the technology of using coal. Fluidised bed combustion is a new method of burning coal in industrial plant. These boilers should cost less than conventional plant and need less space. This method, in which coal is burnt in a bed of ash

or sand and which is 'fluidised' by passing air through it, offers substantial advantages to those considering new industrial boiler plant.

### New ways to keep coal on the move.

There have also been spectacular advances in coal and ash handling techniques. For example, compressed air is now being used to push coal through a pipeline from bunker to boiler and ash from boiler to storage silo. The system is completely enclosed and dust free, silent running, needs little maintenance and is cheap and simple to install.

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The NCB has a new brochure which tells what coal has to offer you now and in the future. There are also new technical booklets dealing in more detail with all designs of industrial coal-fired boiler houses.

If you would like copies, or would like a technical expert to talk over your heating needs, write to National Coal Board, Marketing Dept., Hobart House, Grosvenor Place, London SW1X 7AE, or ring 01-235 2020.

**NCB**

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# BUSINESS AND INVESTMENT OPPORTUNITIES

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A client interested in investing £50,000-£75,000 in a small, private company concerned with the technical aspect of computers or related equipment. The company should be preferably operating in, or bordering on, Surrey.  
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offers comprehensive admin. service including secretarial, postal and telex. Full agency sales and service also available. Specialists in all sections of textile trade. Replies by 30/6/78. M.D. will be visiting UK July.  
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AS SOLE DISTRIBUTORS IN DEFINED AREAS  
for specialist product steadily establishing itself as a brand leader in floor and general cleaning maintenance. Approved at all levels. Established accounts available for servicing in certain areas. Successful applicants will receive full training and sales assistance.  
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Sales of approx. £750,000 per annum. Large proportion exported into Europe or rest of world. Brand leader in its price range. Would suit either aluminium die-casting company or plastic moulding company. At present all work sub-contracted therefore profits never being estimated.  
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#### Litho Printing Company

An expanding specialist printing company wants to acquire a litho printing company to help meet increasing demand for its services. Ideally the company should have turnover of up to £500,000, spare capacity and be located in the North of England or Midlands. Replies are invited, in strictest confidence, to:  
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### OLD ESTABLISHED PRIVATE GROUP

has funds available to purchase for cash a profitable business making up to £250,000 P.A. Details will be treated in strict confidence by principals only.  
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Investment/purchase of small to medium size progressive company manufacturing tubular framed, upholstered furniture for the contract market. Location: London, Berks, Herts, Essex, Middlesex.  
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#### Financial Group has capital available for the acquisition of small/medium sized businesses which are preferably EXPORT ORIENTED

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in the Greater London or Home Counties area. Business with reasonable premises not necessarily profitable in which management will remain or stay for a handover period. Please supply full information following which an immediate meeting will be arranged.  
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Interested in acquiring active companies in construction, property development and possibly engineering field. Companies must have average annual profits of £100,000 to £200,000 before tax. Would consider lower figures if there are adequate potential.  
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New Issue / June, 1978

\$100,000,000

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International, Inc.

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Limited

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Corporation

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Lehman Brothers Kuhn Loeb

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Limited

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New Japan Securities International Inc.

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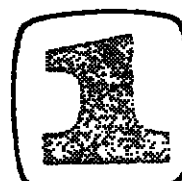
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Union Bank of Finland Ltd.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / June, 1978

1,500,000 Shares



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Westdeutsche Landesbank

Girozentrale



# Bargain-hunting moderates Wall St. decline

Indices

NEW YORK—DOW JONES

## INVESTMENT DOLLAR

PREMIUM  
\$2.60 to \$1.44 (to 111%)  
Effective \$1.850 51% (30%)

CONCERN THAT tighter monetary policy and the economy pushed stocks lower on Wall Street yesterday.

By the close, however, bargain-hunting had trimmed some of the losses and left other stocks with small gains.

The Dow Jones Industrial Average—down more than four points in the morning—finished with a gain of 1.63 at 834.62.

The NYSE All Common Stocks index ended 4 cents off at 84.78.

Volume, at 25,500,000 shares, was down 2,100,000 on Friday, while declining 3,400,000 on Thursday.

Advancing issues, 1,016 to 304, with 306 issues unchanged.

Investors were expecting the Federal Reserve's Open Market Committee to decide at its regular monthly meeting today to check the recent rapid expansion of the money supply.

But with the economy already showing signs of slowing down after a rebound from the harsh winter, the Fed runs the risk of a recession if the measures adopted are too vigorous.

Among signs of economic slowing, investors last week learned that the rise in personal income slowed in May from April, and that housing starts and building permits turned lower in May.

On the positive side, the Organisation for Petroleum Exporting Countries held the price of crude oil unchanged at least, until

its December meeting.

JRM was strong, rising \$1 to \$2.99. Burroughs gained \$1 to \$7.47. Telephones \$2 to \$11.31, and

Telegrams \$1 to \$7.01.

Ford Motor, which has been weak recently, picked up \$1 to \$17. It received a \$125m contract to supply two satellites in India for that country's proposed satellite system.

Carrier Hawley Hale was unchanged at \$18.41. It agreed to acquire Thalhimer Brothers, Inc. for \$11.5 to \$16 bid in over-the-counter trading.

General American Oil elected William P. Barnes chairman to fill the spot vacated on the death of Arthur H. Meadows a week earlier. The stock picked up \$1 to \$11.

Johnwell gained \$1 to \$37. It plans to acquire Spectronics for \$1.50 a share.

Spectronics jumped \$5 to \$21.10, in over-the-counter trading.

American Broadcasting signed a final pact to sell its movie theatres for \$50. It added \$3 to \$49.

Hamada Jans headed the active list again, rising \$1 to \$71. Last week it denied it had plans for casinos. Gaining stocks generally moved up. Casars World added \$2 to \$29.10. Del. 2. Wells \$24 to \$24.10. Playboy \$11 to \$18.

Golden Nugget on the Pacific exchange climbed \$1 to \$18.75. Tropicana eased \$1 to \$47.10. Bear Stearns Commission asked Bear to delay its planned purchase of Tropicana, but

Beatrice refused.

(On the AMERICAN SE price decline in moderate trading. The index slipped 0.53 to 149.57, with the average price per share falling 6 cents.)

Stock volume eased 600,000 shares to 3,47m, its highest level since November 27, 1973.

Prices opened well up and advanced further in the morning. The gains were maintained throughout the afternoon and most leading stocks closed at their best of the day.

Among the gainers, Hertz Corp. rose 60 cents to \$18.50. Hertz Corp. rose 60 cents to \$18.50. Hertz Corp. rose 60 cents to \$18.50.

Among the losers, Hertz Corp. fell 60 cents to \$18.50. Hertz Corp. fell 60 cents to \$18.50. Hertz Corp. fell 60 cents to \$18.50.

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Bow Valley CSI to \$291 and

Hudson's Bay CSI to \$211.

**Hong Kong**

Shares moved sharply higher in heavy trading. The Hang Seng index put on 15.6 points to close at 562.31, its highest level since November 27, 1973.

Prices opened well up and advanced further in the morning. The gains were maintained throughout the afternoon and most leading stocks closed at their best of the day.

Among the gainers, Hertz Corp. rose 60 cents to \$18.50. Hertz Corp. rose 60 cents to \$18.50. Hertz Corp. rose 60 cents to \$18.50.

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Hinde was down DM13.30 to

DM13.30, however.

Autos were mixed with movements of DM130 both ways.

Public authority bonds were slightly weaker, where changed, with losses of up to 25 pfennigs.

The Bundesbank bought paper worth DM17.2m, against DM13.5m on Friday.

**Tokyo**

Prices closed lower in limited trading on lack of fresh factors, after late liquidation had pared early gains.



## OFFSHORE AND OVERSEAS FUNDS

[illegible]

CORAL INDEX: Close 465-470

INSURANCE BASE RATES	
† Property Growth .....	\$13
† Vanbrugh Guaranteed .....	\$3



# CASH FOR EXPANSION

Contact: B. D. Kay  
INTERNATIONAL FACTORS LTD  
Circus House, New England Road,  
Brighton BN1 4EX Tel: (0273) 507000  
Birmingham, Cardiff, Leeds,  
London, Manchester.

## BRITISH FUNDS

High Low Stock Price Div. Yield

1973 1974

1975 1976

1977 1978

1979 1980

1981 1982

1983 1984

1985 1986

1987 1988

1989 1990

1991 1992

1993 1994

1995 1996

1997 1998

1999 2000

2001 2002

2003 2004

2005 2006

2007 2008

2009 2010

2011 2012

2013 2014

2015 2016

2017 2018

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# FT SHARE INFORMATION SERVICE

## BONDS & RAILS-Cont.

High Low		Stock	Price £	+ or -	Div. % Gross
88	83 1/2	Ireland 7-1/2 31-83	83 1/2	nd	7 1/2
91	79	Do 8-1/2 31-36	81		9 1/2
93	26 5/8	Japan 4-1/2 10 Ass	36 5/8		
87	80	Do 10-1/2 31-36	72		6
86	145	Portu Ass 3-1/2 88	155		3
75 1/2		S. C. I. 6-1/2 1991	75 1/2		6 1/2
59 1/2	59 1/2	Turin 9-1/2 1991	59 1/2		9
DM91		Turin 6-1/2 1991	DM91		6 1/2
96	94	Uruguay 3-1/2	96		3 1/2

U.S. \$ & DM prices exclude inv. \$ prem



INDUSTRIALS-Continued

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Petroleum	134.00	3.90	2.9%	134.00	134.00	134.00	134.00	0.00
Shell	128.00	3.60	2.8%	128.00	128.00	128.00	128.00	0.00
British Airways	110.00	3.00	2.7%	110.00	110.00	110.00	110.00	0.00
British Telecom	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Steel	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Overseas Airways	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Airways	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Airways	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Airways	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Airways	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00

INSURANCE

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Insurance	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Insurance	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Insurance	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Insurance	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Insurance	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Insurance	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Insurance	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Insurance	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Insurance	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Insurance	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

PROPERTY-Continued

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Property	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Property	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Property	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Property	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Property	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Property	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Property	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Property	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Property	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Property	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

INV. TRUSTS-Continued

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Investment Trust	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Investment Trust	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Investment Trust	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Investment Trust	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Investment Trust	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Investment Trust	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Investment Trust	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Investment Trust	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Investment Trust	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Investment Trust	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

FINANCE, LAND-Continued

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Finance	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Finance	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Finance	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Finance	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Finance	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Finance	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Finance	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Finance	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Finance	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Finance	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

MOTORS, AIRCRAFT TRADES

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Motors	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Motors	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Motors	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Motors	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Motors	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Motors	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Motors	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Motors	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Motors	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Motors	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

SHIPBUILDERS, REPAIRERS

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Shipbuilders	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Shipbuilders	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Shipbuilders	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Shipbuilders	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Shipbuilders	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Shipbuilders	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Shipbuilders	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Shipbuilders	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Shipbuilders	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Shipbuilders	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

SHIPPING

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Shipping	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Shipping	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Shipping	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Shipping	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Shipping	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Shipping	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Shipping	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Shipping	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Shipping	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Shipping	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

SHOES AND LEATHER

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Shoes	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Shoes	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Shoes	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Shoes	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Shoes	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Shoes	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Shoes	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Shoes	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Shoes	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Shoes	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

SOUTH AFRICANS

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British South Africans	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British South Africans	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British South Africans	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British South Africans	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British South Africans	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British South Africans	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British South Africans	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British South Africans	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British South Africans	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British South Africans	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

TEXTILES

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Textiles	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Textiles	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Textiles	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Textiles	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Textiles	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Textiles	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Textiles	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Textiles	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Textiles	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Textiles	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

NEWSPAPERS, PUBLISHERS

Stock	Price	Div	Yield	High	Low	Open	Close	Change
British Newspapers	100.00	2.50	2.5%	100.00	100.00	100.00	100.00	0.00
British Newspapers	90.00	2.00	2.2%	90.00	90.00	90.00	90.00	0.00
British Newspapers	80.00	1.50	1.9%	80.00	80.00	80.00	80.00	0.00
British Newspapers	70.00	1.00	1.4%	70.00	70.00	70.00	70.00	0.00
British Newspapers	60.00	0.50	0.8%	60.00	60.00	60.00	60.00	0.00
British Newspapers	50.00	0.25	0.5%	50.00	50.00	50.00	50.00	0.00
British Newspapers	40.00	0.10	0.2%	40.00	40.00	40.00	40.00	0.00
British Newspapers	30.00	0.05	0.1%	30.00	30.00	30.00	30.00	0.00
British Newspapers	20.00	0.02	0.05%	20.00	20.00	20.00	20.00	0.00
British Newspapers	10.00	0.01	0.01%	10.00	10.00	10.00	10.00	0.00

High		Low		Stock	Price	Div	Yield	High	Low	Open	Close	Change
75	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
76	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
77	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
78	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
79	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
80	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
81	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
82	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
83	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
84	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
85	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
86	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
87	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
88	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
89	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
90	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
91	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
92	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
93	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
94	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
95	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
96	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
97	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
98	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
99	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
100	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
101	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
102	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
103	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
104	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
105	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
106	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
107	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
108	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
109	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
110	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
111	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
112	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
113	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
114	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
115	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
116	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
117	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
118	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
119	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
120	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
121	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
122	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
123	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
124	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
125	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
126	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
127	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
128	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
129	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
130	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
131	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
132	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
133	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
134	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
135	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
136	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
137	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
138	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
139	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
140	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
141	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
142	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
143	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
144	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
145	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
146	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
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148	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
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150	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
151	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
152	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
153	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
154	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
155	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
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157	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
158	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
159	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
160	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
161	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
162	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
163	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
164	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
165	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
166	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
167	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
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169	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
170	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
171	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
172	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
173	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
174	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
175	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
176	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
177	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
178	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
179	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
180	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
181	100	100	100	British & Tropic	60.00	3.97	2.9	8.9	4.4	129	129	0.00
182	100	100										



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## FINANCIAL TIMES

Tuesday June 20 1978

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# Trade surplus cut is Japan's main responsibility—Fukuda

BY CHARLES SMITH

TOKYO, June 19

JAPAN REGARDS the reduction of its trade surplus as its biggest international responsibility at present, and is contemplating emergency uranium imports and oil stockpiling as short-term measures, Mr. Takeo Fukuda, the Prime Minister, said today.

Mr. Fukuda was addressing foreign correspondents as the Finance Ministry announced that Japan's visible trade surplus in May was reduced by nearly \$1bn compared with April. An acceleration of shipments in advance of a new import tariff imposed on June 1 is a major factor behind the change, and the smaller surplus is not being taken as an indicator of dramatic results in Japan's attempts to cut its surplus.

Mr. Fukuda said cutting down the surplus depended ultimately on increasing imports, which in turn meant reviving domestic demand. A decisive factor

would also be the reduction of exports, and the government had persuaded industry to keep the volume of exports during the fiscal year 1978 at the same level as in 1977. But the government could not be answerable for fluctuations in the dollar value of exports, he said, as this depended on factors outside Japan's control, such as the rate of inflation in the U.S.

Asked whether he would commit Japan at the Bonn summit in reducing Japan's current account surplus to \$6bn during the current fiscal year, Mr. Fukuda said this was a "hypothetical figure" which had been used during the compiling of the 1978 Budget. He implied that the figure did not represent a target, and that Japan was in no way committed to achieving it.

The dollar-denominated trade surplus for May amounted to \$1.55bn, compared with the April figure of \$2.27bn. Imports, at

\$6.27bn, showed a rise of 16 per cent over the level of one year ago. Oil imports according to the Finance Ministry, totalled 29m kilolitres during the month, or between 6m and 7m kilolitres more than the average for the past year.

In value terms, this translated into a temporary increase in the monthly oil import bill of approximately \$800m. The high level of oil imports in May could be followed by a reactionary decline in June.

Exports in May showed a dollar-denominated increase of 27 per cent from the same month last year (to \$7.62bn). This compares with a more moderate rise of 13.9 per cent in the April export figure.

Dollar figures for Japan's exports, however, have become increasingly misleading in view of the revaluation of the yen during the last year. In yen

terms, exports were up only 3 per cent in May, compared with one year earlier, having fallen by 8.2 per cent in the previous month.

In volume terms, there was a 0.8 per cent export decline last month, compared with a year earlier, following a fall of 0.5 per cent in April. Officials at the Ministry of Finance interpret these figures as indicating that Japan's exports are now levelling off in real terms, in line with the government's promise.

The fresh rise in oil imports in May helped to give Japan a \$110m deficit in its overall balance of payments—the first since last January, after items making up the overall balance included a \$600m deficit on invisibles and a \$1.45bn deficit on long-term capital account. Minister looks for action on Japan surplus, Page 11

## Tanker 'forced off course'

By Paul Taylor, Industrial Staff

The master of the Amoco Cadiz claimed yesterday that, in the vital minutes before the vessel's steering gear failed, he was forced to change course and steer closer to the French coast to avoid a collision with another tanker in the wrong shipping lane.

Captain Pasquale Bardini was giving his first evidence to the Liberian Board of Inquiry in London after being released by the French authorities. He told the Board that at about 9.45 a.m. on March 16 when the vessel's steering gear failed the tanker was off course and about 1.1 miles closer to the French coast than it would have been had he not had to change course to avoid a "rogue" tanker which was "in violation of the traffic separation scheme."

Captain Bardini said that at 9 a.m. following a night of storms with winds reaching force eight, the Amoco Cadiz was in the "middle" of the Ushant shipping separation scheme, which was designed to avoid vessels colliding.

A small tanker was spotted further out to sea but heading south across the shipping lanes toward the Amoco Cadiz, so he ordered his vessel to "turn to the east to avoid a collision."

He said he did not manage to obtain the name of the "small tanker" which forced the Amoco Cadiz off course, but said small ships often broke international agreements on shipping lanes.

### Other ships

Captain Bardini said that the Amoco Cadiz had to leave the shipping separation lanes to avoid a collision with a small tanker and passed it at about 9.30. The tanker was then unable to turn back onto its proper course because of other ships in the area.

He said that he intended to steer the vessel back on course "as soon as it was possible" but at 9.45 the helmsman on the bridge reported that the rudder remained to port when he turned the wheel to starboard.

This was the first occasion the Captain Bardini realised the steering gear had failed. The Amoco Cadiz was, by this time, 7.1 miles north of Ushant.

When the steering gear failed, the engines stopped and sent messages out to other ships on two frequencies telling them to "keep clear."

By 10.05 a.m. the vessel had turned to port but had stopped moving forward and at 11.10 a.m. Captain Bardini phoned Radio Brest and was told that the salvage tug Pacific was in the area.

Ten minutes later, he was told by the chief engineer that the vessel's hydraulic steering system had failed and that efforts to repair it had been "futile."

He then radioed for "immediate assistance" and at 12.20 the tug Pacific arrived. Captain Bardini told the Board: "I thought the tug would be capable of getting us under tow."

Twenty minutes after arriving, the tug captain asked for the Lloyds Open Form—a standard form of salvage contract. Instead, Captain Bardini offered him a "straight towing contract" which was accepted and at 1.14 the first line was put on board the stranded tanker.

Captain Bardini will continue giving evidence today on the events which led up to the grounding of the Amoco Cadiz.

### Earnings

upward pressures linked to the rise in output.

On the first point, the Department of Employment said yesterday that by the middle of this month some 70 per cent of workers covered by major settlements had agreed, and 98 per cent of these deals were within the official guidelines.

Moreover, the official examination of productivity agreements has not highlighted any cases where there was a failure to observe self-financing requirements.

The older index increased by 15 per cent in the 12 months to April to 326.1 (January 1970=100), compared with a 7.9 per cent increase in retail prices in the period.

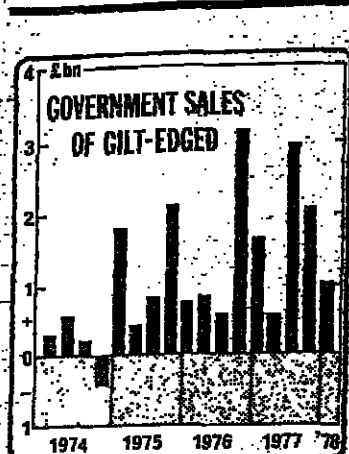
The newer index for the whole economy rose by 12.5 per cent in the year to April to 127.2 (January 1970=100). The index was 125.0, not seasonally adjusted, in March.

Basic weekly wage rates rose by 0.3 per cent in May to 257.7 (July 1972=100), for an increase of 14.3 per cent in the last year. This index covers only nationally negotiated basic rates for manual workers.

## THE LEX COLUMN

# Bank aims down the middle

Index fell 3.6 to 467.0



The Bank of England has learned at least one lesson from the recent mini-crisis. The latest Quarterly Bulletin argues that the authorities should keep monetary growth well within the target range, rather than try to live dangerously near the upper limit. It was the failure to react during February and March, when sterling was growing at near the 13 per cent limit, that exposed the authorities to such a serious attack of the targets when the unexpected late surge in monetary growth arrived. The overshooting of the target range was, the Bank confesses, "as much of a disappointment to the authorities as to the markets."

By implication the official reaction to monetary overshooting will be much more immediate in future.

Having tightened monetary policy the Bank is clearly concerned that the message should get through to wage earners. It is worried that there will not be the actual deceleration in earnings growth required to keep inflation down. Yesterday's earnings figures for April, though still just about consistent with a 14 per cent outturn for the current wage round, are disturbing in this context. And anyway the Bank is warning that company profit margins are likely to be eroded during 1978 by accelerating costs.

This does not add up to a situation of peace of mind for the financial markets. Yesterday, moreover, the recent bout of indecision in gilt-edged took a turn for the worse as signs of last week's long top issue began to unload on an increasing scale, a few days ahead of the next call.

### OCL

The future of Overseas Containers Limited (OCL) as a limited liability company hangs in the balance this week. For the consortium-owned shipping business will almost certainly have to be turned into a partnership unless a new clause is added to the Finance Bill today or tomorrow extending group tax relief for the members of consortia.

Otherwise there is a distinct possibility that OCL may actually have to pay mainstream UK corporation tax—a rare event indeed for shipping companies—within the next two years. The trouble is that OCL has been far more profitable than its shareholders—P & O, Ocean Transport, Furness Withy and

volume rose by around 10 per cent. This was in spite of difficult conditions in the important U.S. market, which takes about a third of production.

However, while the growth of the Japanese economy has been impressive, the Japanese authorities have been following a policy of export restraint, which has helped to keep the yen-dollar rate from rising too far. At 132.5, the yen is at 3.3, and the 4.3 per cent target is backed by cover of more than ten times.

### The rising yen

The sharp drop in Japan's current account surplus did not stop the Japanese currency from hitting a new peak of ¥213.15 against the U.S. dollar yesterday, before closing at ¥213.40. After a temporary setback in April and May when the yen-dollar rate fell from 218 to 230, the Japanese currency has performed strongly in recent weeks and looks set to breach the 210 level, and possibly the 200 level, now that the Japanese authorities have apparently stopped intervening heavily.

Two more significant developments are being put on the May figures, which were adversely affected by a surge in imports ahead of the implementation of a new import tariff. Japan is still generating a large visible surplus. Last year the original official forecast was for a current account deficit of \$0.7bn—in fact there was a surplus of well over \$10bn. This year, the authorities are talking about reducing the surplus to \$6bn but unofficial estimates suggest it could well increase to over \$15bn. Hence the pressure on the yen. There are, however, signs at last of a rising outflow of capital, partly due to foreigners unwinding their positions in the bond market. These flows continue at current rates they should start to relieve the upward pressure on the yen over the longer term.

### Dawson International

Dawson International has forged ahead in sturdy fashion, with pre-tax profits for the year showing a 50 per cent rise to £15.5m. Given its concentration at the quality end of the textile market Dawson is little affected by the general textile cycle in the UK, and these results reflect the influx of tourists (boosted by the Jubilee) and a big push on exports, which jumped by more than a quarter. Overall,

## Price rise rule may change

By Elinor Goodman, Consumer Affairs Correspondent

THE GOVERNMENT is expected to publish shortly proposals for reducing the amount of information companies have to give the Price Commission before raising their prices. The change is one of a number which will probably be made this summer to coincide with the expiry of the Price Code.

As a first step, the Department of Prices yesterday published proposals for stopping food and drink retailers re-pricing goods already on the shelves. This will replace the clause in the Price Code which bans re-pricing on all goods with a stock turnover of more than 10 times a year. The new order will cover only food and drink and make no allowance for stockturn.

The Price Code, which embodies the present controls on companies' profit margins, has been running alongside the new more flexible set of price controls for the last year. It expires at the end of July and the Government apparently wants to make some changes to the remaining controls at the same time.

As well as possibly altering the profit safeguards in the controls, the Government has decided to try to reduce the administrative burden on both companies and the Price Commission.

These changes, which will probably be published in the form of a consultation document later this month, could mean that some smaller companies would no longer have to notify the commission of proposed increases and that those companies still having to notify would not have to submit so much information about smaller increases as they do at present.

### Investigation

It had been hoped that the form of a consultation document would be able to agree on a joint proposal for reducing the information requirements on companies. But the talks broke down at the last moment and the two sides have put forward different proposals to the Department of Prices.

At present all manufacturers with a turnover of more than £5m a year have to give the commission 28 days' advance notice of any price increase of over 2 per cent. The CBI is believed to have wanted all increases of under 5 per cent to be exempted from the pre-notification requirements together with those which yielded less than £250,000 a year in additional revenue.

The commission, however, is understood to have argued that it ought to continue to be kept informed of these smaller increases but that it was in favour of greatly reducing the amount of information companies would have to provide with small increases.

Under the commission's proposals, the information requirements would be reduced for about a third of the increase now being notified. The idea would be to devise some formula under which companies proposing smaller increases would not have to do much more than tell the commission when, and by how much, they wanted to raise their prices. The commission would be free to ask for more information if it needed to decide whether to carry out a full three month investigation.

Such a formula would represent a big reduction in the amount of information companies now have to give the commission.

## Germans resist pressure for faster growth

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

LUXEMBOURG, June 19

IN SPITE of renewed pressure from its EEC partners, West Germany today stood firmly by its refusal to commit itself to any specific target for faster economic growth in advance of next month's summit meetings in Bremen and Bonn.

Moreover, the Community now appears effectively to have abandoned its official objective of an average growth rate of 4.5 per cent by the middle of next year. This was adopted, albeit amid German reservations, by heads of governments of the Nine when they met in Copenhagen less than three months ago.

EEC Finance Ministers spent several hours here this afternoon hammering out a joint pre-summit statement of their positions. But the most that the German delegation would accept was a vague reference to the fact that unemployment could not be reduced without an additional 1.5 to 2 per cent growth in the average gross domestic product of the Nine.

No date has been fixed, however, for achieving this level of growth. M. Francois-Xavier Ortoli, the European Commissioner for Economic Affairs, told the Council that on the basis of their present policies the Nine was unlikely to attain a GDP growth of more than 2.5 per cent in real terms this year and in 1979.

At German insistence, the Commission dropped plans to recommend individual growth

targets for the Nine to today's talks. M. Ortoli will be free, however, to submit a paper along these lines to the summit meeting of EEC heads of government in Bremen early next month.

Mr. Denis Healey, UK Chancellor, said after the meeting that despite his attempts to persuade Germany to modify its position, he had some sympathy for it.

He contended that the German Government was reluctant to commit itself to faster growth while it remained unsure how far other EEC members would go to meet its demands for arrangements to stabilise currencies and whether the US would act effectively to cut its oil import bill.

The implication of his analysis is that he does not expect Germany to announce any firm new reflationary plans at least until the seven nations western summit in Bonn in mid-July, since the US will not be represented at the EEC summit meeting in Bremen ten days earlier.

Mr. Healey displayed considerable interest today in a series of proposals for linking sterling with other EEC currencies inside a new form of monetary arrangement. But in spite of his apparent optimism he doubted whether the Nine were going to be able to work out arrangements in principle by the Bremen or Bonn summits.

He said that he favoured a relatively strict arrangement which would impose an obliga-

tion on participating countries to intervene to keep their currencies within specified margins, as members of the currency "snake" do at present. Specifically, he displayed interest in two proposals along these lines drawn up by the EEC monetary committee.

However, Mr. Healey said that Britain would not be prepared to participate in an new currency arrangement unless it was satisfied that it met a number of criteria. The first of these was that such an arrangement should not constrain economic growth by preventing parity changes when they were justified by balance of payments or inflation factors.

The second condition was that it must be clearly recognised that surplus countries had an obligation to adjust their policies in the light of their economic performance and not just those countries running a deficit. He said that the key to any future arrangement must be that it provided for an equitable sharing of rights and obligations among participants.

It was also essential that the EEC's credit facilities be increased to permit it to defend any new currency plan against the threat of speculative attacks. But beyond this, there must be a move to bring about an effective transfer of resources from the richer to the poorer regions of the Community, especially if the creation of an eventual monetary union was envisaged.

## EEC hope on U.S. import curbs

BY JUREK MARTIN

WASHINGTON, June 19

EUROPEAN NEGOTIATORS at the trade talks here appear more confident that the U.S. will in the end agree to adopt the so-called "injury test" before imposing restrictions on imports which adversely affect domestic industries.

A spokesman at the U.S. special trade representative's office acknowledged this morning that the U.S. was "prepared to negotiate" the incorporation of an injury test into U.S. statutes. He made it clear, however, that the precise wording of such a formula had yet to be worked out and that the U.S. in any case was still insisting on the *quid pro quo* of European acceptance of greater discipline over the controversial subject of subsidy payments.

Sir Roy Denman, the EEC's director-general of external relations, maintained in an interview here this morning—on the second day of a scheduled three days of talks between the U.S., the EEC, Japan and Canada—that if the U.S. did not enact some form of injury law then major

problems could be created next year when certain key statutory powers of the 1974 Trade Act expired.

He was referring to the countervailing duties authority which runs out on January 3 next year. The U.S. spokesman agreed that the expiration of this authority was "a source of great concern to us."

Under current practice, the U.S. is exceptional in that it is not necessary to prove actual damages caused by imports to levy countervailing duties. It is merely sufficient to prove that imports have been subsidised by foreign governments.

However, the President is empowered to waive the imposition of additional levies if he thinks fit.

Sir Roy acknowledged that it would be difficult to find the right language on subsidies that could reassure the U.S. and simultaneously not circumscribe to an excessive degree the right of national government to take action.

The EEC is suggesting that some form of consultative mechanism be established covering both subsidies and what are known as "selective safeguards"—that is, the right of individual countries to move swiftly against the imports of another country should the clear need arise.

In the EEC view, Sir Roy said, any such committee of signatories should in practice have limited power, if for no other reason than that the U.S. Congress would object were it to be given too much authority.

Sir Roy said it was "possible" for Board agreement to be reached on the major areas of a new trade agreement by the July 15 deadline set by Mr. Robert Strauss, the U.S. chief negotiator.

So far, the Washington talks over the last 24 hours have consisted of a series of bilateral meetings between the four negotiators. This evening, Mr. Robert Strauss, U.S. special trade representative, is giving a dinner for the delegation heads at which the first attempt at co-ordinated progress will be made.

Continued from Page 1

## Bank urges cut

attention to the monetary targets.

Following the excessive growth recorded last year, the control should aim at keeping the growth around the middle of the target range—set at 8.12 per cent for the current year—rather than accepting a figure around the top of the range.

Discussing the effect of monetary growth on the sterling exchange rate earlier this year, the Bank reports that its own research has failed to find a close-knit relationship of the kind suggested by the international monetarist school.

The pace of monetary expansion did not become fully apparent until May, and "seems unlikely to have played a major role in the weakening of confidence in sterling in March."

evidence suggested that keeping monetary growth within the target range could only be helpful for exchange rate stability.

The "discretionary" element of fiscal policy—the specific changes introduced by Government—has considerably reduced activity over the period from 1974 to 1977.

But this has been offset by the automatic stabilising impact of changes in tax payments and benefits. These have increased the public sector financial deficit by 6.1 per cent of Gross Domestic Product.

In spite of the recent rise in activity, many firms still had ample spare, if sometimes outdated capacity.

But there was concern over the shortage of skilled labour in certain sectors of industry, which could create supply bottlenecks as the economy picked up.

Mary Campbell adds: The Bulletin includes a table showing interest payments due on public sector foreign borrowings over the next ten years. The table shows that at \$1.7bn, these could next year amount to an appreciable sum by comparison with the \$2.2bn due in repayments of principal. But whereas the repayments of principal increase in subsequent years to a peak of \$5.2bn in 1981, payments of interest fell to \$1.5bn in 1980, \$1.3bn in 1981 and well under \$1bn a year subsequently.

## Weather

UK TODAY

RAIN over N. Ireland and W. Scotland will spread South-East later.

London, S.E. England, E. Anglia Mainly dry. Max. 21C (70F).

Central S. England, E. and S.W. England, N. England, the Midlands

Sunny intervals, rain later.

Channel Is. Cloudy, rain at times.

Wales, N.W. and N.E. England, Lakes, Isle of Man, Borders, S.W. Scotland

Cloudy, rain later.

The Highlands, N. Ireland Rain at first. Max. 15C (59F).

Outlook: Showers and sun

### BUSINESS CENTRES

Y'day	Mid-day	Y'day	Mid-day
Amsterdam	5.35	Manchester	5.35
Antwerp	5.35	Melbourne	5.35
Basel	5.35	Mexico City	5.35
Bombay	5.35	Montreal	5.35
Buenos Aires	5.35	Moscow	5.35
Calcutta	5.35	New York	5.35
Canton	5.35	Paris	5.35
Cebu	5.35	Rome	5.35
Hankow	5.35	Sao Paulo	5.35
Hong Kong	5.35	Shanghai	5.35
Kobe	5.35	Singapore	5.35
London	5.35	Tokyo	5.35
Lyons	5.35	Winnipeg	5.35
Manila	5.35	Zurich	5.35

### HOLIDAY RESORTS

Y'day	Mid-day	Y'day	Mid-day
Alicante	5.35	Istanbul	5.35
Amsterdam	5.35	Lax Pims.	5.35
Antwerp	5.35	Lisbon	5.35
Bombay	5.35	Madrid	5.35
Buenos Aires	5.35	Malaga	5.35
Calcutta	5.35	Nairobi	5.35
Canton	5.35	San Jose	5.35
Cebu	5.35	Sao Paulo	5.35
Hankow	5.35	Shanghai	5.35
Hong Kong	5.35	Singapore	5.35
Kobe	5.35	Tokyo	5.35
London	5.35	Winnipeg	5.35
Lyons	5.35	Zurich	5.35

## BROWNLEE AND COMPANY LIMITED

Importers and Merchants dealing in timber, plyboard, board materials, joinery components and building materials. Sawmills and manufacturers of veneered panels and other components.

### Results for 1978

Points from Annual Report and Statement by the Chairman, Mr. P. A. Barnes-Graham, for the year ended 25th March 1978.

	1978	1977
SALES	£000's	£000's
	19,042	18,167
PROFIT BEFORE TAX	765	1,382
PROFIT AFTER TAX AND EXTRAORDINARY ITEMS	452	377
EARNINGS PER ORD. SHARE	5.2p	9.8p
DIVIDENDS PER ORD. SHARE	2.26881p	2.05577p

\* The final dividend of 1.76981p per ordinary share recommended is the maximum amount permitted under current restrictions.

\* Depression in construction industry continued, resulting in overall reduction in level of demand. However, demand for home improvements and modernisation continued to increase.

\* Margins during the year were adversely affected by the rise in value of the £, especially against the Swedish kronor. This compared with the previous year when the fall in value of the £ resulted in substantial stock profits.

\* New associate company formed jointly with Boulton & Paul (Joinery) Ltd. at Hamilton to improve and supplement service to Lanarkshire customers.

\* In view of possible legislation regarding stock valuation relief, past policy of providing in full for deferred tax continued.